Determinants of IFRS 2 Disclosure Compliance

The Role of Corporate Governance Factors in a Swedish Setting

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Abstract

Following a regulatory shift in accounting supervision in 2019, the Swedish enforcement system has made few enforcement actions concerning IFRS 2 compared to earlier periods. This ambiguity, combined with concerns voiced about the standard's complexity underscores the need to examine alternative governance mechanisms that can positively influence IFRS 2 disclosure compliance. Building on agency theory and the pressure-based classification framework of Brickley et al. (1988), this thesis investigates whether different types of institutional investors act as determinants of IFRS 2 disclosure compliance. The study uses a cross-sectional sample of 246 Swedish listed firms, a self-constructed IFRS 2 disclosure compliance index, and OLS regressions to draw its empirical findings. The findings show that aggregate pressure-resistant institutional ownership is positively associated with compliance. However, when disaggregated, only ownership by investment and private equity firms exhibits a significant positive association, while foundations and government-linked investors do not. The findings demonstrate that institutional investors are not a homogeneous governance mechanism and that investment and private equity firms play a distinct monitoring role largely due to their in-house expertise. Lastly, the findings show that corporate governance can serve as an indicator for assessing disclosure risk for individual firms, relevant for auditors, enforcement authorities, and retail investors.

Key words: IFRS 2; Disclosure compliance; Equity-based compensation; Institutional investors

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1. Introduction

Equity-based incentive programs have become an increasingly prominent component of executive compensation. Since the 1980s, their adoption has accelerated substantially (Frydman & Jenter, 2010), and recent evidence shows that, on average, half of total CEO compensation among large European listed firms is equity-based. This is a pattern observed across multiple EU countries, including Sweden (Kotnik & Sakinç, 2022). Consistent with this broader trend, 84 percent of Swedish large-cap firms proposed or maintained equity-based incentive programs in 2024 (PwC, 2024), with adoption rates remaining high since at least 2018 (PwC, 2019).

The widespread adoption of equity-based compensation in executive pay is deeply rooted in Jensen and Meckling's (1976) seminal paper on agency theory. Since its publication, equity-based incentives have become viewed as key mechanisms to align managers' (the agents) interests with those of shareholders (the principals) by both practitioners (Drew & Walk, 2019; Shah, 2014), and scholars (Agrawal & Mandelker, 1987; Barney, 1990; Cheng & Warfield, 2005; Ofek & Yermack, 2000; Walking & Long, 1984).

However, as these programs have grown in prevalence, the importance of transparent reporting has increased. Equity-based incentives vary substantially in scale, design, and contractual complexity, and the valuation of such schemes often requires sophisticated modelling. Adequate disclosure is therefore essential for investors to understand the programs' economic impact (Goh et al., 2016). This can be illustrated by the increasing use of performance-based instruments, which are perceived as complex for both preparers and users of the financial statements. For example, when multiple performance-based vesting conditions are added to an incentive, it can become difficult to understand how they function and how they should be valued (Merz, 2020).

The accounting and disclosure of such arrangements are governed by *IFRS 2: Share-based Payment*. Preparers have repeatedly voiced concerns regarding IFRS 2's complexity and interpretative ambiguity in the past (IFRS Foundation, 2018, 2024). In response to this persistent concern, the IASB conducted a research project from 2015–2016, concluding that the diversity of scheme terms and the intricacy of fair value measurement present significant implementation challenges. Despite acknowledging these issues, the IASB deemed the existing requirements adequate and made no amendments (IFRS Foundation, 2018). Subsequent empirical findings, however, indicate there are challenges related to complying with this particular standard.

Studies from developed markets report average compliance levels with IFRS at around 70 percent, but with substantial variation across firms and reporting items (Hellman et al., 2018). Compared with this figure, a substantial body of prior research documents a lower than average compliance with IFRS 2 specifically across multiple jurisdictions (Tsalavoutas et al., 2020). In developed markets, past studies have reported mean compliance levels of 61 percent in France (Goh et al., 2016) and 56 percent in Germany (Cascino & Gassen, 2015). This figure is even lower in less developed markets, with past studies reporting mean compliance levels of 22

percent in Brazil (Santos et al., 2014) and 7 percent in Kuwait (Dawd, 2018). In addition, more detailed academic articles on IFRS 2 reveal that firms often struggle to provide required valuation inputs, such as expected volatility (Bechmann & Hjortshøj, 2009) and frequently omit assumptions underlying option pricing models (Goh et al., 2016). Scholars suggest that the poor compliance with IFRS 2 is attributable to preparer inexperience with equity-based compensation (Bechmann & Hjortshøj, 2009; Mertz, 2020) and the inherent complexity of the incentive program (Merz, 2020). In relation to this, Merz (2017, 2020) argues that as incentive schemes become increasingly sophisticated, the disconnect between contractual design, valuation techniques, and reporting requirements will worsen, reinforcing the risk of incomplete or inadequate IFRS 2 disclosures (Merz, 2017, 2020).

This issue may be particularly serious when preparers have not been directly involved in valuing the equity-based incentive plans, but instead relied on external valuation specialists. Educational material from IFRS notes that SME:s often engage valuation experts to determine the fair value of shares and options in share-based payment arrangements when there is a lack of sufficient valuation expertise in-house (IFRS Foundation, 2019). This indicates that, at times, there is a separation between those performing the valuation and those preparing the financial statements.

In Sweden, concerns regarding disclosure quality have previously materialized in enforcement actions. The Swedish Financial Supervisory Authority (sw. Finansinspektionen) identified several IFRS 2-related infringements in 2016, including failures to disclose required valuation information and misapplication of relevant standards (Finansinspektionen, 2016a). In 2018, Nasdaq Stockholm imposed disciplinary sanctions on three listed firms for serious disclosure failures related to equity-based compensation, underscoring the practical importance of transparent reporting of such programs (Nasdaq, 2018a, 2018b, 2018c).

While Sweden has been termed as a strong enforcement regime (Glaum et al., 2013), this characterisation is not uncontested (Berger, 2010). As will be discussed in Section 2.2, Sweden has undergone a major regulatory shift in 2019, when responsibility for IFRS accounting supervision shifted from the regulated stock exchanges to a new central body for accounting supervision on regulated markets. Since then, public records of IFRS 2-related enforcement actions have virtually disappeared (FAR, 2025), making it unclear whether the absence reflects improved compliance, shifts in supervisory focus, or differences in how enforcement outcomes are communicated. This empirically observed absence of IFRS 2–specific enforcement actions in public records following the 2019 shift motivates the examination of alternative governance mechanisms that can positively influence IFRS 2 disclosure compliance.

Prior literature provides strong evidence that compliance with IFRS disclosure requirements varies substantially across countries and firms, with enforcement strength frequently identified as a decisive explanatory factor (Glaum & Street, 2003; Hope, 2003; Pope & McLeay, 2011; Tsalavoutas et al., 2020). Stronger enforcement regimes are consistently associated with higher compliance, while weak institutional environments, limited regulatory capacity, and ineffective

monitoring encourage managerial discretion and non-compliance (Glaum et al., 2013; Hellman et al., 2018). Among different governance mechanisms, institutional investors have been identified as an important factor that can promote disclosure quality of accounting information. Several studies find that institutional ownership is positively associated with IFRS compliance for reasons including the tendency to exert monitoring pressure, promote transparency, and influence managerial reporting incentives (Glaum et al., 2013; Goh et al., 2016; Zaid, 2023), several mechanisms that may be specifically relevant when external enforcement is ambiguous.

However, existing research typically treats institutional investors as a homogeneous group. Only a limited number of studies examine whether different types of institutional owners vary in their monitoring capacity or influence on disclosure practices. This is believed to be a critical omission, as institutional investors significantly differ in investment horizons, resources, governance preferences, and incentives to engage with and challenge management. When these differences in corporate governance are not accounted for, important variation in how institutional owners affect firms' disclosure behaviour may be concealed. In addition, conflicting effects across investor types may lead to different results across studies due to variability in investor compositions. This makes it difficult to draw precise conclusions about the role of corporate governance in different settings. To address this gap, the present thesis investigates how IFRS 2 disclosure compliance varies with different institutional investor types in Sweden.

Purpose: To investigate the role of institutional investors as determinants of IFRS 2 disclosure compliance for Swedish listed firms.

2. Institutional context

2.1 Accounting Harmonization and the Role of Local Enforcement Systems

The IASB's mission is to develop accounting standards that enhance transparency, accountability, and comparability in global financial markets (IFRS Foundation, 2024). As part of this harmonization effort, more than 140 jurisdictions mandate or permit the use of IFRS for listed companies (IFRS Foundation, 2025). However, the benefits of harmonization critically depend on whether the standards are implemented and enforced consistently across jurisdictions (Glaum et al., 2013; Goh et al., 2016; Hellman, 2011).

Despite the global scope of IFRS, extensive academic evidence suggests that firms frequently fail to fully comply with mandatory disclosure requirements (Glaum et al., 2013; Tsalavoutas, 2011; Zaid, 2023). Although disclosure quality generally improves over time, non-compliance remains persistent rather than transitory (Glaum et al., 2013; Tsalavoutas et al., 2020). These

findings indicate that the existence of internationally harmonized standards alone is insufficient to guarantee high-quality reporting (Goh et al., 2016).

A commonly cited explanation for cross-country variation in IFRS compliance is the uneven strength of local enforcement systems (Glaum et al., 2013; Goh et al., 2016; Hartwig, 2015). While listed firms in EU member states are required to prepare consolidated financial statements in accordance with IFRS, considerable differences remain in practice largely because enforcement is carried out at national rather than EU level (Pope & McLeay, 2011). Past scholars have voiced that many national regulators lack the resources, processes, or capacity to consistently monitor firms' disclosure practices, contributing to an inconsistent implementation of IFRS across jurisdictions (Glaum et al., 2013). As a result, the enforcement environment has been described as the Achilles' heel of IFRS, potentially creating a misleading perception of uniformity across countries (ibid.).

From a corporate perspective, financial reporting can be viewed as costly and time-consuming. Preparers incur direct costs of collecting and publishing information, as well as indirect costs related to proprietary disclosure (Glaum et al., 2013). If non-compliance with accounting standards would bear negative effects, companies would comply with accounting standards to a larger extent as managers respond to a combination of economic and contextual incentives (Hellman, 2011). Therefore, non-compliance is more likely to occur when the expected costs of disclosure outweigh the expected costs of detection and sanction(s), particularly in settings where external enforcement is weak or inconsistently applied (Glaum et al., 2013; Hellman et al., 2018). Some scholars suggest that mandatory IFRS standards often function as de facto voluntary standards in weak regulatory settings (Tsalavoutas, 2011). For example, in France, which was considered a weak regulatory setting at the time, the market regulator noted several IFRS compliance infringements without issuing sanctions for deficient reporting. Instead, they persistently recommended firms to improve the deficient disclosure in subsequent periods (Goh et al., 2016). As a result, the strength of the country-level enforcement system is viewed as a pivotal determinant of actual compliance with IFRS disclosure requirements.

2.2 The Development of the Swedish Enforcement System

Sweden has long relied on a distinctive approach to accounting enforcement, combining elements of self-regulation with state oversight. Finansinspektionen has held the overarching statutory responsibility for overseeing IFRS compliance among listed firms since it became mandatory to follow under EU regulation in 2005 (European Parliament & Council, 2002; Finansinspektionen, n.a.). However, much of the operational surveillance has historically been delegated to Sweden's two stock exchanges, Nasdaq and Nordic Growth Market, which had to publicly report unresolved errors to Finansinspektionen (Finansinspektionen, 2009a). Evidence suggests that structured reviews of listed companies' financial reporting were carried out by Nasdaq as early as the year 2000. Following review, the exchange sent observation letters to listed firms for which issues had been identified in their financial statements, indicating that

some form of organized oversight had been developed by then (Gillqvist, 2016). In 2003, the arrangement was strengthened by establishing the Swedish Panel for Monitoring Financial Reporting. It became responsible for annually reviewing consolidated annual reports for companies listed on Nasdaq and issued formal complaints when it identified reporting deficiencies (SOU, 2015). These reviews were not mandated by law, but rather on the legal basis of the listing agreements between listed firms and Nasdaq (ibid.). When formal complaints were made, they were forwarded to Nasdaq which could impose sanctions through its disciplinary committee, ranging from warnings and fines, to delistings in severe cases (Regeringen, 2007).

The authority's own review of this self-regulatory structure identified deficiencies in the delegated surveillance, including weaknesses in the exchanges' monitoring processes (Finansinspektionen, 2009b). Around this time period, concerns about the enforcement setting were raised by multiple scholars. Concerns included the inherent conflict of interest that can arise when commercial exchanges supervise the same firms they serve as customers (Hellman, 2011), and the view that Sweden's relatively limited public enforcement resources contributed to a structurally weaker enforcement environment (Hartwig, 2015). Consistent with these concerns, the public reports sent from Nasdaq had rarely identified IFRS-related reporting errors, raising doubts about whether this absence reflected genuinely high reporting quality or rather an insufficient scrutiny in the Swedish listed market (Berger, 2010).

A significant regulatory shift occurred in 2019, when the operational responsibility for accounting supervision on regulated markets was restructured and centralized through the establishment of the Swedish Accounting Supervision Board (sw. Nämnden för svensk redovisningstillsyn), while Finansinspektionen retained its overarching statutory responsibility (Finansinspektionen, 2025a, n.d.). This shift aimed to centralize oversight, strengthen independence of the supervision, and address past concerns about the effectiveness of the self-regulatory model.

However, following the regulatory shift in 2019, an unexpected development emerged. Notably, based on publicly available enforcement decisions, regulatory publications, and FAR reports, no IFRS 2–specific enforcement actions were identified for the period following 2019 (FAR, 2025). This stands in contrast to the disciplinary actions taken prior to this shift, including those identified by Finansinspektionen in 2016 (Finansinspektionen, 2016a), but also several cases in 2018 where Nasdaq sanctioned firms for disclosure failures related to equity-based incentive programs. Table 1 summarizes the relevant infringement cases from 2018. Although the sanctions issued by Nasdaq were not due to IFRS 2-related infringements specifically, they revealed material weaknesses in firms abilities to communicate terms, conditions, and valuation assumptions of incentive schemes, issues which closely align with IFRS 2's disclosure requirements (see Appendix 1).

***Table 1**: Overview of Relevant Disciplinary Cases from 2018 (Nasdaq, 2018a, 2018b, 2018c).*

Case	Brief summary of infringement	Sanction	Link to equity-based compensation disclosure
Clavister Holding AB (2018:04)	The company failed to properly disclose the reasons for cancelling 429,200 subscription warrants linked to an incentive program for its board and management. It also did not disclose several board decisions on share issues, including at least one issue of subscription warrants, and repeatedly structured incentive program share issues in ways inconsistent with guidance from the Swedish Securities Council (AMN 2002:01).	Fine: Six annual listing fees.	Concerns the design and disclosure of warrant-based incentive programs. The case highlights deficiencies in transparency and communication surrounding the issuance, cancellation, and structuring of equity-based instruments.
Wifog Holding AB (2018:06)	The company changed the terms of listed convertibles in a manner deemed incompatible with good market practice. The AGM also adopted an incentive program for board members that did not comply with the Swedish Securities Council (AMN 2002:01). The program and amendments to convertibles were later withdrawn or corrected following Nasdaq's intervention.	Fine: Four annual listing fees.	Involves board incentive arrangements and modifications of equity-based instruments. The case relates to governance and compliance shortcomings in how equity-based compensation schemes and convertible terms were structured and communicated.
Cassandra Oil AB (2018:08)	The company exhibited repeated disclosure failures concerning share issues and financing arrangements. An AGM notice proposed issuing subscription warrants to board members and senior management within an incentive program. Nasdaq found a significant risk that the AGM would approve an incentive program contrary to good market practice. These issues occurred within a history of deficient disclosure.	Fine: Delisting from Nasdaq First North.	Although broader in scope, a critical element was a planned warrant-based incentive program. The case illustrates weaknesses in transparency, communication, and compliance relating to expected equity-based compensation proposals.

In addition, the absence of reported IFRS 2-related infringements from the newly formed national enforcement body after 2019 raises important concerns. It is unclear whether the absence suggests disclosure quality has genuinely improved, or if there have been shifts in regulatory priorities and capacity constraints which may reflect a shift in supervisory prioritisation, differences in reporting practices, or limitations in publicly observable enforcement outcomes. Notably, enforcement actions have continued in other areas like IFRS 7 and IFRS 8 (NSR, 2025a, 2025b, 2025c, 2025d), suggesting the enforcement body remains active but may focus scrutiny on standards perceived as more risky or material. A prioritization of more material standards would be consistent with previous beliefs (Hellman, 2011).

Combined, this makes it difficult to assess the effectiveness of IFRS 2 supervision in the Swedish setting. While there have been previous concerns with regard to the enforcement system, most of these are dated prior to the regulatory shift. The anecdotal evidence on disclosure-related infringements provides some nuance, however, it cannot alone determine the strength of the Swedish enforcement system. Nevertheless, the institutional context points to an external enforcement setting that can be viewed as ambiguous with regard to IFRS 2. This ambiguity, in combination with past academic concerns on IFRS 2 disclosure compliance, motivates the closer consideration of other factors within the governance landscape that may shape firms' reporting behavior. This will be examined in further detail in the next section.

3. Literature Review and Theoretical Framework

3.1 Agency Theory and the Role of Institutional Investors

Agency theory provides the central theoretical foundation for understanding firms' compliance with IFRS disclosure requirements. The delegation of decision-making authority from owners (principals) to managers (agents) creates inherent incentive misalignments, as each party pursues its own objectives under conditions of information asymmetry (Jensen & Meckling, 1976). Past research highlights these frictions as giving rise to agency costs, creating a need for monitoring mechanisms that align managerial behaviour with owners' interests (Ang et al., 2000; Fleming et al., 2005; Raj & Abdul-Malik, 2007; Singh & Davidson, 2003; Wellalage & Locke, 2011).

Financial reporting serves as one form of monitoring mechanism by reducing information asymmetries between managers and providers of capital (Glaum et al., 2013; Hellman et al., 2018). The IFRS Conceptual Framework emphasises that its financial statements support accountability by enabling users to evaluate how management has discharged its stewardship responsibilities (IFRS Foundation, 2024). However, despite the mandatory nature of IFRS disclosures, firms may choose not to comply fully when disclosure is perceived as costly, for example, when it risks revealing proprietary information or exposing managers to reputational scrutiny (Glaum et al., 2013; Hellman et al., 2018). Unfortunately, such non-compliance undermines comparability and reduces the usefulness of financial statements (Goh et al., 2016).

At the same time, firms also have certain incentives to comply with IFRS accounting standards. High-quality disclosure has been found to signal confidence to investors and analysts (Goh et al., 2016), reduce estimation risk (Tsalavoutas, 2011), lower the cost of capital (Botosan, 1997; Glaum et al., 2013; Hellman, 2011), and improve analyst forecast accuracy (Tsalavoutas et al., 2020). Firms reliant on external financing, e.g. listed firms, are therefore expected to demonstrate greater concern for reporting quality and consequently higher compliance (Glaum et al., 2013).

Given these conflicting incentives, the characteristics of a firm's ownership, i.e. the principal(s), become an important determinant of compliance with accounting regulations. Institutional, blockholder, and foreign investors act as professional monitors that help mitigate these agency conflicts (Glaum et al., 2013; Zaid, 2023). Large, concentrated, and sophisticated owners tend to possess greater resources, expertise, and incentives to scrutinise managerial behaviour than dispersed retail investors (Jensen, 1993; Shleifer & Vishny, 1997). Agency theory implies that when external enforcement mechanisms are less effective, internal monitoring plays a greater role (Jensen & Meckling, 1976), where large or sophisticated shareholders can become especially important monitors (Shleifer & Vishny, 1997). These owners' sizable and often concentrated holdings enable them to influence strategic decision-making, hinder opportunistic managerial behavior, and reduce information asymmetries by encouraging more transparent reporting (Boone & White, 2015; Shleifer & Vishny, 1997; Zaid et al., 2020). For example, it has previously been found that firms with greater disclosure quality tend to have a higher share of

institutional ownership (Bushee & Noe, 2000). This suggests institutional investors may not only prefer transparent reporting, but also have the ability to influence it. These mechanisms provide a clear theoretical rationale for expecting institutional investors to shape firms' adherence to IFRS disclosure requirements, a proposition examined more thoroughly in the following section.

3.2 Institutional Investors as Determinants of IFRS Disclosure Compliance

Prior research examining the role of institutional investors in firms' disclosure behaviour, although relatively scarce, provides mixed evidence. Much of the early work focuses on voluntary disclosure and conveys a broad spectrum of results. Several studies document a positive association between institutional ownership and voluntary disclosure levels (Barako et al., 2006; Bushee & Noe, 2000), suggesting that institutional investors value transparency and use their monitoring capacity to encourage more extensive reporting. Other studies, however, report negative or insignificant relationships (Eng & Mak, 2003; Schadewitz & Blevins, 1998) indicating that institutional investors do not uniformly demand greater disclosure and that their influence may depend on differences in investor objectives, firms' informational environments, or even market maturity. Although the results are not directly related to mandatory IFRS compliance, they provide relevant contextual cues, being that institutional investors are not universally associated with greater transparency. Rather, their influence appears sensitive to both institutional settings and firm-specific incentives. A summary of the main studies examining institutional ownership within mandatory IFRS compliance settings is provided in Table 2 below.

Research on mandatory IFRS compliance offers more relevant implications, but the degree of applicability within this body of literature remains mixed. A number of studies in emerging or weaker enforcement settings find that institutional ownership is positively associated with IFRS disclosure compliance. For example, institutional investors significantly enhance IAS and IFRS compliance for listed firms in Egypt (Alnaas & Rashid, 2019; Ebrahim & Fattah, 2015), with similar positive associations being reported across listed firms in Morocco and Tunisia as well (Alnaas & Rashid, 2019). These results may initially be interpreted as a reflection of underdeveloped capital markets, in which institutional investors naturally hold greater influence over corporate governance outcomes in relative terms. However, evidence from Ghana contradicts this idea as institutional ownership was found to have no significant relationship with IFRS 7 compliance (Agyei-Mensah, 2017). These mixed findings suggest that even within relatively similar regional clusters, the monitoring role of institutional investors cannot be assumed, as it may vary with factors such as investor composition, enforcement intensity, and the informational demands of specific IFRS standards.

***Table 2**: Overview of IFRS disclosure compliance literature examining institutional investors*

Author(s), Year	Study Setting	Study Period	IFRS Standard(s) Examined	Study Objective	Sample Size	Findings on Institutional Investors	Limitations/Applicability
Goh et al. (2016).	France.	2005.	IFRS 2 (Share-Based Payments).	Explore determinants and valuation implications of IFRS 2 compliance during first-year IFRS adoption.	152 firms.	**No significant effect**: Domestic (French) institutional ownership. **Positive significant effect**: (U.S./U.K.) institutional investors are positively related to IFRS 2 compliance.	Relies on an exploratory design lacking theoretical grounding. The positive association is driven solely by U.S. and U.K. investors, indicating that the effect likely reflects foreign-investor influence rather than institutional ownership more generally, which limits its broader applicability.
Bechmann & Hjortshøj (2009).	Denmark.	2005.	IFRS 2 (Share-Based Payments).	Examine whether Danish firms underreport option-based compensation and identify determinants of IFRS 2 disclosure quality.	59 firms.	**Positive significant effect**: Strong institutional pressure, especially from dominant pension funds, is associated with higher IFRS 2 disclosure quality.	Denmark's institutional landscape is dominated by powerful pension funds, which is vastly different from the Swedish market where institutional ownership is more dispersed and pension funds hold a relatively far smaller share of the votes.
Alnaas & Rashid (2019).	Egypt, Morocco, Tunisia.	2005 & 2010.	IAS/IFRS (General Compliance Index).	Assess overall IFRS disclosure compliance and its determinants.	84 firms.	**Positive significant effect**: Higher institutional ownership is associated with a higher degree of IFRS compliance.	Relatively small sample, with a study conducted in underdeveloped capital markets where institutional investors may wield disproportionate influence. Ultimately limits applicability to more mature markets such as Sweden.
Agyei-Mensah (2017).	Ghana.	2011-2013.	IFRS 7 (Risk Disclosures).	Assess extent and quality of IFRS 7 compliance and governance determinants.	30 firms.	**No significant effect**: Institutional ownership is unrelated to IFRS 7 compliance.	Extremely small sample, which reflects the true size of the domsetic capital market at the time of this study. Combined, this makes it difficult to generalize results against the Swedish market.
Ebrahim & Fattah, (2015).	Egypt.	2006-2011.	IAS 12 (Income Taxes).	Examine determinants of initial IFRS/IAS 12 compliance in an emergin-market context.	116 firms.	**Positive significant effect**: Institutional ownership improves disclosure compliance with IAS 12.	Conducted in an underdeveloped capital market where institutional investors may wield disproportionate influence. Ultimately limits applicability to more mature markets like Sweden.

Studies focused specifically on IFRS 2 provide additional nuance, but have their own limitations. Evidence from France, an environment characterised as weakly enforced at the time (Glaum et al., 2013), points to a positive association between institutional ownership and IFRS 2 disclosure compliance (Goh et al., 2016). However, because the study adopts an exploratory design and is not grounded in a formal theoretical framework, the mechanisms underlying this association are not clearly articulated. Moreover, the positive effect found in the study is driven exclusively by U.S. and U.K. institutional ownership, while the study finds no significant relationship between domestic institutional ownership and IFRS compliance (Goh et al., 2016). Overall, this study speaks more to the influence of foreign capital, rather than about institutional ownership as a generalizable governance effect for this study. The applicability of these results within the context of this thesis is therefore limited.

Complementary evidence from Denmark shows that high levels of IFRS 2 disclosure compliance have been linked to institutional ownership. Importantly, the country features a distinctive ownership landscape, where public pension funds have a powerful role and make up a large portion of the country's institutional investors. Additionally, these pension funds have historically been vocal in debates surrounding equity-based incentive programs, going as far as to publish their own guidelines on how such remuneration should be disclosed (Bechmann & Hjortshøj, 2009). In Denmark, pension funds are described as the largest shareholders of publicly traded firms, with the capacity and willingness to exert pressure on companies to provide adequate disclosure of option-based compensation (Bechmann & Hjortshøj, 2009).

While the Danish market may appear to be a sufficient setting for inferring an expectation on the Swedish market, it too features limitations related to applicability. Notably, the described ownership landscape stands in considerable contrast to the Swedish setting, where pension funds account for only 7 percent of ownership in publicly listed firms across both votes and capital (OECD, 2025). This is a far smaller share of ownership relative to other institutional investor categories, while ownership is more dispersed on a broader level across retail investors and institutional subgroups (ibid.). Moreover, the prominence of equity-based incentive programs as a topic of public and governance concern in Denmark is not mirrored in Sweden. To the best of our knowledge, the public debate in Sweden has devoted comparatively little attention to disclosure issues related to equity-based compensation, suggesting a lower degree of public interest. Combined, this may alter the extent to which institutional investors act as effective monitors in the setting of this thesis.

Taken together, the existing literature suggests that institutional investors can positively influence IFRS disclosure compliance, particularly in environments where enforcement is weak and where institutional owners are both influential and highly engaged. However, findings across voluntary, and to some extent mandatory disclosure settings, remain mixed, with substantial variation across regions, enforcement regimes, and investor compositions. Importantly, some of the few studies explicitly examining IFRS 2 disclosure compliance involve institutional contexts,

Denmark and France, which differ meaningfully from Sweden's more fragmented ownership structure and its ambiguous enforcement landscape. In particular, the composition of institutional investor types and their relative importance differs markedly across these settings, implying that evidence from markets dominated by specific institutional subgroups cannot be directly extrapolated to Sweden. As such, the prior literature does not offer a sufficiently clear basis for generalizing the effect of institutional investors on IFRS 2 disclosure compliance in Sweden.

On a similar topic, existing literature has a tendency of treating institutional investors as a homogeneous group, which is believed to be a critical omission. Previous studies that find a negative or insignificant relationship between institutional ownership and both voluntary and mandatory disclosure compliance (Agyei-Mensah, 2017; Eng & Mak, 2003; Goh et al., 2016; Schadewitz & Blevins, 1998) may have done so because of variations in the composition of institutional owners compared to studies that have made opposite findings (Alnaas & Rashid, 2019; Barako et al., 2006; Bechmann & Hjortshøj, 2009; Bushee & Noe, 2000; Ebrahim & Fattah, 2015). These variations can be large even within similar geographies, as previously noted in the Swedish and Danish setting comparison. This underscores the need for further inquiry, including a closer examination of how monitoring incentives may vary across different categories of institutional investors, an issue that is addressed in the following section.

3.3 Pressure-based Classification Framework for Institutional Investors

A well-established framework for distinguishing institutional investors based on their expected monitoring behaviour is provided by Brickley et al. (1988). Their study was developed in the context of analysing shareholder voting on antitakeover proposals, where institutional investors were observed to react differently to managerial initiatives. To explain this variation, the authors propose a classification based on the degree to which institutional shareholders are subject to conflicts of interest arising from their commercial or regulatory relationships with portfolio firms. The framework subsequently classifies institutional owners into three broad categories:

(**1**) Pressure-sensitive institutions

(**2**) Pressure-resistant institutions

(**3**) Pressure-indeterminate institutions

Firstly, pressure-sensitive institutions are defined as having business relationships that reduce their willingness to challenge corporate management or which make them receptive to managerial influence. Pressure-sensitive institutions include institutional investors such as insurance companies, banks, and nonbank trusts. Secondly, pressure-resistant institutions are viewed as relatively independent of management and therefore more likely to exercise stronger monitoring and oppose management when governance interests diverge. This includes institutional investors such as public pension funds, mutual funds, endowments, and foundations. Thirdly, pressure-indeterminate institutions are treated as investors with an unclear or ambiguous

susceptibility to managerial pressure. The authors argue that this third group comprises corporate pension funds, brokerage houses, investment counsel firms, miscellaneous and unidentified institutions (Brickley et al., 1988). This framework provides a theoretically grounded basis for anticipating systematic differences in monitoring incentives and governance influence across institutional investor types. In addition, it has been widely adopted across several different streams of literature within corporate governance (Cao et al., 2020; David et al., 1998; Graham & Yawson, 2007; Kochhar & David, 1996; Wahab et al., 2007).

The taxonomy introduced by Brickley et al. (1988) aligns with the reasoning on agency theory outlined in Section 3.1. Agency theory suggests that principals with both the independence and the economic motivation to monitor are more likely to scrutinise managerial behaviour, and that these incentives differ across owner types (Jensen, 1993; Shleifer & Vishny, 1997). While institutional investors are generally regarded as more sophisticated monitors than dispersed retail shareholders (ibid.), the Brickley et al. (1988) framework illustrates that institutions themselves do not form a homogeneous group with respect to monitoring incentives. Differences in business ties, regulatory dependencies, and potential conflicts of interest imply that some institutional investors may be less willing or able to challenge management than other institutional investors.

To identify which institutional investors are most likely to influence firms' reporting behaviour in an ambiguous enforcement environment, this thesis focuses on those investors that can be classified as pressure-resistant within the Brickley et al. (1988) framework. These institutions combine monitoring incentives with relative independence from managerial influence and are therefore theoretically best positioned to reinforce compliance with disclosure requirements. In the specific context of this thesis, IFRS 2 differs from many other accounting standards in that it requires extensive technical valuation, detailed contract disclosure, and forward-looking assumptions about equity-based compensation. Compliance therefore entails substantial informational complexity rather than simple transparency. Pressure-resistant institutional investors are particularly well positioned to influence such technically demanding reporting practices because they possess both the incentives and the analytical capacity required to scrutinise valuation models and disclosure compliance.

While the original framework highlights public pension funds, mutual funds, endowments, and foundations as pressure-resistant, it remains silent on several other owner categories that are relevant in contemporary capital markets. Subsequent studies have therefore extended the initial classification to additional owner types (e.g. Sojli & Tham, 2010). Following a similar logic, this thesis expands the pressure-resistant category to two additional owner types that are active in the Swedish capital markets, being governments, primarily sovereign wealth funds, and investment and private equity firms (OECD, 2025). To establish this extended classification, the analysis first examines foundations, where the well-documented rationale for pressure-resistance will be discussed. This examination will then form the basis for whether comparable attributes can be observed across government and investment and private equity investors.

3.3.1 Foundations

Foundations have previously been characterized as pressure-resistant, both in the original Brickley et al. (1988) framework, as well as in later studies that have chosen to adopt the same framework (Cao et al., 2020; David et al., 1998; Graham & Yawson, 2007; Kochhar & David, 1996; Wahab et al., 2007). While this suggests other scholars agree with the classification, it is important to examine the underlying rationale to better understand which attributes have led to this classification, and whether these attributes can be extended to other institutional investors.

Foundations are characterised by strong structural independence. Unlike banks and insurance companies, they do not rely on commercial business relationships with portfolio firms and are therefore less exposed to conflicts of interest that might otherwise make them supportive of management (Sherman et al., 1998). Foundations unequivocally adopt a long-term investment orientation, making them resistant to short-term performance mandates (Brickley et al., 1988). From an agency theory perspective, the long-term horizon can play a crucial governance role in discouraging agency conflicts between management and its shareholders, while also limiting the incentive for opportunistic management behavior. More precisely, the incentives for financial misreporting are believed to diminish under this ownership form (Buchanan & Kaya, 2024). In the scenario that managerial initiatives would conflict with the foundation's long-term objectives, their independence enhances the ability to oppose such initiatives (Brickley et al., 1988).

Taken together, these attributes indicate that foundations embody several defining features in order to be classified as pressure-resistant institutions. Attributes include operating with structural independence, facing limited commercial conflicts of interest, and the adoption of long-term investment horizons. These attributes equip them with the ability to monitor their investments, while remaining independent from managerial pressures. A capacity to challenge managerial actions that conflict with enduring objectives confirms this classification, and serves as a foundation for assessing whether other institutional investors exhibit similar conditions, justifying a similar taxonomy classification.

3.3.2 Governments

Similar to that of foundations and as will be explained further below, many state investment vehicles, particularly sovereign wealth funds, share many of these attributes. They operate with structurally independent governance arrangements, maintain limited commercial ties to portfolio firms, and pursue long-term investment horizons. These similarities raise the possibility that governments, when investing through such vehicles, may exhibit comparable resistance to managerial pressure and monitoring abilities to those of foundations.

Research on state-linked investors increasingly distinguishes sovereign wealth funds (SWFs) from traditional forms of state ownership. Earlier studies highlight weak monitoring and political interference under conventional government control (Laffont & Tirole, 1993; Vickers & Yarrow,

1991). However, subsequent work shows that SWFs tend to be professionally managed, institutionally autonomous, and organisationally separated from political ministries, limiting direct political intervention (Megginson & Fotak, 2015). Comparative studies further characterise SWFs as resembling pension funds in their long-term investment orientation (Chhaochharia & Laeven, 2009), mutual funds in certain governance practices (Avendaño & Santiso, 2010), and private equity investors in their propensity to take sizeable positions in a select group of firms (Chhaochharia & Laeven, 2009). Within the Brickley et al. (1988) framework, these features collectively indicate that SWFs exhibit the structural attributes associated with pressure-resistant institutions, as relevant comparisons can be made to institutions included in the traditional taxonomy.

A central attribute for this classification is that SWFs are generally insulated from managerial influence. Unlike many private institutional investors, they lack incentives to nurture managerial ties and have accordingly been classified as pressure-resistant in prior research (Sojli & Tham, 2010). Their state-backed capital base and long-term investment horizon reduce sensitivity to short-term performance pressures (Chhaochharia & Laeven, 2009; Megginson & Fotak, 2015; Sojli & Tham, 2010), while their governance role often includes both direct and indirect monitoring (Ferreira & Matos, 2008; Sojli & Tham, 2010). Nevertheless, the Norwegian Government Pension Fund Global (GPFG) illustrates notable constraints. Although often viewed as politically independent, GPFG is widely regarded as passive relative to more concentrated activist investors (Kotter & Lel, 2011; Megginson & Fotak, 2015). Moreover, its vast portfolio inherently limits firm-level oversight. Even with approximately 550 employees, the fund holds equity positions in more than 9,000 firms including Sweden, making detailed monitoring of each portfolio company infeasible (Nilsen et al., 2019).

Taken together, the literature suggests that sovereign wealth funds constitute pressure-resistant institutions. While some studies emphasise SWFs maintain large and concentrated holdings, the empirical case of GPFG demonstrates that increasing fund size tends to coincide with broad global diversification, which constrains intensive monitoring of firm-specific IFRS disclosures. Despite these limitations, existing research consistently portrays SWFs as politically insulated and largely unaffected by managerial pressure. This supports the classification of government ownership through SWFs as pressure-resistant within the Brickley framework.

3.3.3 Investment and private equity firms

The independence attribute previously highlighted is particularly pronounced under private equity (PE) ownership. Empirical studies document that PE firms frequently replace incumbent management shortly after acquisition, with CEO turnover rates within two years of an LBO substantially exceeding those observed in public firms (Gong & Wu, 2010). This pattern illustrates that PE owners are not susceptible to managerial pressure and retain full discretion to intervene when management performance is deemed inadequate. PE investors are also

characterised by intensive monitoring practices, which exceed those typically observed among other owners (Kaplan & Strömberg, 2009).

An important distinction arises, however, in the context of listed portfolio firms. While most research examines PE monitoring and disclosure incentives in unlisted settings (e.g. Beuselinck et al., 2008), their governance influence does not cease at the IPO of their portfolio firms. Evidence suggests that PE firms frequently retain sizable equity stakes well beyond the expiration of listing lockup periods (Dong et al., 2020). This extended ownership horizon has implications for the monitoring environment in listed firms, as PE firms continue to hold both the incentive and the ability to influence governance and reporting practices after listing. Studies in private settings further document that voluntary disclosure activity increases substantially following a PE investment (Beuselinck et al., 2008). This trend is often interpreted as an attempt to reduce information asymmetries between the portfolio firm and investors in the PE fund, but also as a preparatory step toward potential future shareholders ahead of an exit transaction (ibid.). These findings suggest that PE ownership creates strong incentives to improve disclosure quality in anticipation of public-market scrutiny.

Although IFRS 2 disclosure compliance can be technically demanding, PE firms commonly devote considerable attention to equity-based compensation arrangements. A core element of the PE governance model is to increase managerial ownership, often through options and other incentive tools (Kaplan & Strömberg, 2009). Moreover, PE firms typically possess substantial in-house financial and accounting expertise, which reduces the marginal cost of producing high-quality reporting information (Beuselinck et al., 2008).

Investment firms in the Swedish context share many governance attributes with PE firms, including active monitoring of portfolio companies and the tendency to press for changes in the management of unsuccessful firms (Gilson & Kraakman, 1993). Illustrative examples of this include the Swedish investment firm Investor, which has historically been actively involved in the selection of its portfolio companies' management teams and CEOs (Carlsson, 2003). While they share notable differences in time horizons of investments in portfolio companies, investment and PE firms are more similar to each other than to other types of institutional ownership.

Taken together, these attributes support classifying both investment and PE firms as pressure-resistant investors within the Brickley et al. (1988) framework. Like foundations and sovereign wealth funds, investment and PE firms operate with structural independence from portfolio firm management, face minimal commercial conflicts of interest, and maintain strong incentives to monitor them. Their willingness and ability to replace management, to intervene directly in governance processes, and to shape firms' reporting systems indicate a relatively low susceptibility to managerial influence. While the investment horizon for PE firms is comparatively shorter, the intensity of monitoring and the absence of a dependency to uphold

good relations with management align both investment and PE firms more closely with the pressure-resistance than with other types of classification in the Brickley et al. (1988) taxonomy.

3.4 Hypothesis Formulation

Given the complexity surrounding IFRS 2 disclosure compliance and the observed ambiguity in the Swedish enforcement system, this thesis examines governance mechanisms beyond external enforcement that may influence firms' IFRS 2 disclosure compliance. While agency theory suggests that institutional investors can reduce managerial discretion and strengthen disclosure practices, prior research has primarily treated institutional ownership in aggregate and offers limited applicability for the Swedish setting.

When external monitoring appears less visible, strong corporate governance may play a comparatively greater role in disciplining managerial disclosure decisions in listed settings. In this context, pressure-resistant institutional investors, who are structurally independent of corporate management and face fewer conflicts of interest, may be particularly important in promoting compliance with demanding disclosure standards such as IFRS 2. Based on this reasoning, institutional investors classified as pressure-resistant are expected to exert monitoring that is more independent of managerial preferences, thereby better encouraging IFRS 2 disclosure compliance. This leads to the formulation of the following hypothesis:

H1: Pressure-resistant institutional ownership (foundations, governments, investment and private equity firms) is positively associated with IFRS 2 disclosure compliance.

Given the limitations identified in prior research, particularly the tendency to treat institutional investors as homogeneous, despite meaningful variation in their incentives and monitoring capacity, each category of pressure-resistant investor is also examined separately to avoid making similar omissions. This leads to the formulation of the following hypotheses:

H2a: Ownership by investment and private equity firms is positively associated with IFRS 2 disclosure compliance.

H2b: Ownership by foundations is positively associated with IFRS 2 disclosure compliance.

H2c: Ownership by government-linked investors is positively associated with IFRS 2 disclosure compliance.

4. Methodology

This section outlines the methodological framework used to examine whether different types of institutional investors are positively associated with listed firms' IFRS 2 disclosure compliance. The section describes the overall research approach, the construction of the dataset, the development of the thesis' disclosure index, the variables included in the empirical models, and the regression models applied in the analysis. The section will conclude with the diagnostic procedures used to ensure the reliability of subsequent results, before their presentation in the subsequent section.

4.1 Research Approach

This study follows a quantitative, deductive research approach, developed to test whether institutional ownership structures are positively associated with listed firms' IFRS 2 disclosure compliance. The analysis draws on established theories used in disclosure research, primarily agency theory (Alrawahi & Sarea, 2016; Ballas et al., 2015; Mnif & Znazen, 2020; Tauringana & Chithambo, 2016; Tsegba et al., 2017; Zaid, 2023), and the monitoring role of sophisticated shareholders (Goh et al., 2016; Yamani et al., 2021; Zaid, 2023), which formed the basis for the hypotheses examined in Section 3.4.

The research design is cross-sectional, as all observations refer to a single reporting year, following a similar approach with a majority of past IFRS compliance studies (Tsalavoutas et al., 2020). This design is deemed appropriate considering IFRS 2 applies uniformly across firms within any given fiscal year, with meaningful variation in compliance arising from differences in ownership, governance structures, and firm characteristics of reporting firms (Cascino & Gassen, 2015; Glaum et al., 2013; Juhmani, 2017; Mnif & Znazen, 2020; Zaid, 2023). This variation is what the empirical models aim to explain.

A key methodological component in this thesis is the use of a self-constructed IFRS 2 disclosure compliance index, constructed directly from the standard and based on item-level coding of firms' annual reports. Such indices are common in IFRS compliance research and allow for a transparent and replicable measure of compliance (Abdullah et al., 2015; Amiraslani et al., 2013; Ballas & Tzovas, 2010; Cascino & Gassen, 2015; Glaum et al., 2013; Juhmani, 2017; Santos et al., 2014; Tsalavoutas & Dionysiou, 2014; Verriest et al., 2013). The self-constructed compliance index will form the basis for the dependent variable used throughout the analysis, while the institutional ownership variables and control variables represent the independent regressors.

To examine the associations of interest, the study employs ordinary least squares (OLS) regression. Because disclosure indices are continuous ratio measures, OLS is most commonly used to estimate their marginal relationships with explanatory variables (Dawd, 2018; Tsalavoutas, 2011). Given that the aggregated pressure-resistant institutional ownership measure is mechanically constructed as the sum of its three underlying ownership components, including

both the total measure and its disaggregated components in a single specification would induce near-perfect multicollinearity. Following the empirical strategy adopted in prior disclosure studies when regressors are highly correlated (e.g. Al-Akra et al., 2010), the analysis is therefore divided into two separate model specifications.

All regressions include industry and stock exchange listing fixed effects to account for systematic structural differences in reporting environments, investor bases, and regulatory expectations across sectors and listing venues. This ensures that the results reflect variation within industries and within market segments (Brüderl et al., 2014).

Finally, the research approach includes a set of diagnostic procedures, including screening for skewness and kurtosis, examining multicollinearity, and applying heteroskedasticity-robust standard errors, to ensure that the data meets the assumptions required for reliable inference.

4.2 Data

4.2.1 Data Collection and Sample

The sample is drawn from firms listed on Swedish regulated markets and multilateral trading facilities operated by Nasdaq including Large Cap, Mid Cap, Small Cap, First North Premier, and First North listing venues (Finansinspektionen, 2016b). The inclusion of firms across multiple listing venues ensures a higher probability of observing substantial variation in ownership structures, governance arrangements, and disclosure practices. To account for sector-specific heterogeneity, firms are classified into eleven industry categories (e.g., Industrials, Financials, Information Technology), enabling the use of industry fixed effects.

Under EU regulation, firms listed on Sweden's regulated markets, such as Nasdaq Stockholm, are required to apply IFRS (European Parliament & Council, 2002; Finansinspektionen, 2025b). Firms listed on unregulated markets, such as Nasdaq First North, are however not required to report under IFRS unless mandated by the exchange. A notable exception is First North Premier, requiring IFRS reporting as preparation for potential transition to Nasdaq Stockholm (Nasdaq, 2025). Because IFRS is optional on First North, a manual two-stage process of annual reports was necessary to identify firms that report under IFRS.

First, all firms listed on Nasdaq First North were reviewed to determine whether they apply IFRS, where only IFRS-reporting firms were retained. Second, the analysis expanded to include all firms listed on Large Cap, Mid Cap, Small Cap, and First North Premier (all of which apply IFRS by requirement), in addition to the IFRS-reporting First North firms identified in Stage 1. The second analysis entailed the examination of whether these companies were currently operating a warrant-, option-, or synthetic option program(s), based on their most recent annual report, thereby placing them within the mandatory scope of IFRS 2. Firms without active equity-based incentive programs were subsequently excluded from the sample.

Data on IFRS 2 disclosure compliance, governance characteristics, and financial information were primarily hand-collected from firms' most recent annual reports. To construct the IFRS 2 disclosure index, the standard (see Appendix 1) was decomposed into 29 individual disclosure requirements (see Appendix 2), whereby each firm's annual report was manually coded for compliance with each requirement. Ownership data was obtained from the Holdings database, while complementary market data, primarily market capitalization at calendar year end as of 2024, were retrieved from Yahoo Finance when not disclosed in annual filings. Other variables like industry classifications and equity betas were extracted from S&P Capital IQ.

Following the previously mentioned steps, the initial dataset decreased from 724 firm observations to 254. After removing 8 observations due to missing values on key variables, the final estimation sample used for the regression analysis comprises 246 firms. Table 3 summarises the sequential screening and exclusion steps that result in the final sample (see Appendix 3).

***Table 3**: The sample selection process*

	Sample	Observations
S1	Firms listed on Swedish regulated markets and multilateral trading facilities through Nasdaq	724
	- Firms without annual reports prepared under IFRS	*−199*
	- Firms without active warrant or option programs	*−271*
S2	Firms included in the dataset for variable collection and analysis	254
	- Observations with missing data for variables of interest	*−8*
S3	Firms included in the final sample used in regression models	246

4.2.2 The Variables

4.2.2.1 The Independent Variables

The independent variables capture share ownership for different categories of pressure-resistant institutional investors, following the classification framework of Brickley et al. (1988). All ownership variables are measured as the fraction of voting rights held at calendar year end as of 2024, based on detailed ownership data from Holdings. For detailed definitions on the different institutional investor variables as defined by Holding, see Appendix 4.

The first independent variable, *INST_OWN_TOTAL_PR*, represents the total pressure-resistant institutional ownership and is constructed as the combined voting rights held by foundation, government, and investment and private equity firm investors. The second independent variable, *INST_OWN_INV_PE,* measures ownership by investment firms and private equity investors and is constructed as the combined voting rights held by investment and private equity firm investors. The third independent variable, *INST_OWN_FOUNDATIONS*, measures ownership held by foundations and is constructed as the combined voting rights held by foundation investors. The fourth independent variable, *INST_OWN_GOVERNMENT*, measures

government-related ownership, primarily through sovereign wealth funds (see Appendix 4), and is measured as the combined voting rights held by government-related investors.

Combined, these independent variables allow the analysis to distinguish between the aggregate influence of pressure-resistant institutional investors and the potentially heterogeneous effects of each institutional investor category, consistent with the notion that institutional investors differ meaningfully in monitoring incentives, objectives, and governance roles (Brickley et al., 1988; Shleifer & Vishny, 1997; Sojli & Tham, 2010).

4.2.2.2 The Dependent Variable

The dependent variable in this study is the degree of IFRS 2 disclosure compliance. Compliance is measured using an unweighted disclosure index, following the approach originally proposed by Cooke (1992), that captures the proportion of applicable IFRS 2 items that each firm fulfills, producing a continuous score between 0 and 1, where higher values indicate high compliance. Each disclosure item is assigned equal weight to avoid introducing subjective importance judgements (Cooke, 1992; Mnif & Znazen, 2020). This index, referred to as *DISC_92*, is used as the main dependent variable in all primary regression models.

$$DISC_92 = \frac{Number\ of\ fulfilled\ disclosure\ requirements}{Number\ of\ applicable\ disclosure\ requirements}$$

As previously mentioned, the index is self-constructed through systematic content analysis of firms' most recent annual reports. The use of self-constructed indices follows established practice in IFRS disclosure research (Abdullah et al., 2015; Amiraslani et al., 2013; Ballas & Tzovas, 2010; Cascino & Gassen, 2015; Glaum et al., 2013; Juhmani, 2017; Santos et al., 2014; Tsalavoutas & Dionysiou, 2014; Verriest et al., 2013), and item-level approaches have also been applied specifically with regard to IFRS 2 disclosure compliance studies (Goh et al., 2016).

The index was developed through close reading of IFRS 2 and examination of existing IFRS 2 disclosure compliance studies. Earlier indices were reviewed to understand how prior research had operationalised the standard, but none were sufficiently comprehensive or transparent for the purposes of this study. Constructing a new checklist directly from the standard was therefore necessary to ensure completeness and interpretive accuracy. To strengthen the validity of this study, an informant interview with an IFRS 2 specialist from a Big Four auditing firm was conducted. The informant interview was able to verify interpretations of the accounting standard and clarify technical disclosure issues. The final checklist was then compared with Big Four guidance (Ernst & Young, 2025; KPMG, 2024) to cross-validate content and structure.

An unweighted, dichotomous scoring system is applied, where a firm receives 1 if a disclosure requirement is fulfilled and 0 if it is not (Ali et al., 2004; Cooke, 1992). Requirements clearly not applicable to a firm's incentive program are coded as "N/A," ensuring firms are not penalised for disclosures irrelevant to their share-based payment arrangements. While this reduces erroneous interpretations, a key limitation noted in past studies is the judgement applied in determining

applicability of certain disclosures (Devalle et al., 2016; Glaum et al., 2013). The disclosure conditions for individual disclosure items can be found in the rightmost column in Appendix 2.

For ambiguous cases where it cannot be determined whether a disclosure requirement is applicable, the scoring approach applies a conservative and non-strict interpretation, in line with established practice in IFRS compliance research (Ali et al., 2004; Glaum et al., 2013; Glaum & Street, 2003; Mnif & Znazen, 2020). This approach implies that if a firm does not explicitly state that a particular condition applies, and the condition cannot be verified elsewhere, the corresponding disclosure is treated as not applicable rather than non-compliant. For example, if a firm does not disclose whether modifications have been made to an incentive program, the disclosure requirements tied to that condition are not enforced. This approach avoids speculative assumptions and reduces the risk of incorrectly penalising firms for unobservable features of their share-based payment arrangements. Although this approach can slightly increase overall compliance scores, such upward bias is considered conservative, as it works against finding statistically significant associations in subsequent regression analyses, ensuring the threshold for demonstrating an effect remains high (Glaum et al., 2013; Iacobucci et al., 2025).

To ensure completeness, each annual report was reviewed in its entirety, including introductory sections, financial statements, accounting policies, footnotes, and other areas where IFRS 2 information might appear. This practice mirrors procedures recommended in prior IFRS compliance research (Dawd, 2018; Glaum et al., 2013; Goh et al., 2016; Mnif & Znazen, 2020), where relevant disclosures are often dispersed across multiple sections of the report. The scoring process followed a staged reliability procedure similar to previous research (Glaum et al., 2013; Mnif & Znazen, 2020; Tsalavoutas, 2011). The process entails that both coders independently assessed the first 20 firm-year observations and reconciled discrepancies through discussion. The next 20 observations were thereafter coded independently once more, with full agreement prior to reconciliation. After establishing consistent interpretive criteria, the remaining firms were divided between coders, with ambiguous cases resolved jointly thereafter where necessary.

4.2.2.3 Control Variables

This study includes several control variables to account for firm-specific and governance-related factors that prior research has shown to influence disclosure compliance. Incorporating these controls allows the isolation of effects attributable to the independent variables and reduces the risk of omitted-variable bias. Table 4 summarizes each control variable, theoretical motivation, and expected direction of association with the dependent variable, i.e. the compliance index.

***Table 4**: The included control variables*

Variable	Measurement	Data Source	Exp. Sign	Prior Literature
SIZE	The natural logarithm of total market cap.	Annual reports	+	Glaum et al. (2013), Goh et al. (2016), Lemos et al. (2023), Mnif and Znazen (2020), Santos et al. (2014), Zaid (2023)
LEVERAGE	Total liabilities / total assets (fraction).	Annual reports	+ / (–)	Alrawahi and Sarea (2016), Amiraslani et al. (2013), Ballas et al. (2015), Glaum et al. (2013), Juhmani (2017), Lemos et al. (2023), Patten & Zelenka (1997), Santos et al. (2014), Tsalavoutas (2011)
ROE	Net income / equity previous year (fraction).	Annual reports	+ / (–)	Alrawahi & Sarea (2016), Ballas et al. (2015), Dawd (2018) Glaum and Street (2003), Juhmani (2017), Lemos et al. (2023), Mnif and Znazen (2020), Tsalavoutas (2011)
FOREIGN_OWN	Fraction of votes held by foreign shareholders.	Holdings database	+	Bova and Pereira (2012), Goh et al. (2016), Zaid (2023)
CEO_OWN	The natural logarithm of CEO's nominal value of shares held in the firm.	Holdings database	(–)	Chau and Gray (2002), Eng and Mak (2003), Goh et al. (2016), Nelson et al. (2010), Pope and McLeay (2011)
BOARD_IND	Fraction of independent Board members (in relation to management).	Annual reports	+	Cascino & Gassen, 2015, Juhmani, 2017, Mnif and Znazen (2020), Tauringana and Chithambo (2016)
AUD_COM	Audit committee dummy (1 = committee present).	Annual reports	+	Al-Akra et al. (2010), Glaum et al. (2013)
BIG4	Big 4 auditor dummy (1 = audited by Big 4).	Annual reports	+	Amiraslani et al. (2013), Apostolos et al. (2015), Ballas et al. (2015), Bepari et al. (2014), Cascino and Gassen (2015), Demir and Bahadir (2014), Florio et al. (2018), Glaum et al. (2013), Juhmani (2017), Lemos et al. (2023), Santos et al. (2014), Tsalavoutas (2011), Zureigat (2015)

We first account for firm size (*SIZE*), measured as the natural logarithm of total market capitalization. Firm size is one of the most widely used controls in disclosure research, typically proxied by either total assets or market capitalization. Larger firms possess more administrative and technical resources to manage complex reporting requirements and face greater political and public scrutiny, which increases incentives to comply (Goh et al., 2016; Lemos et al., 2023). Empirical evidence consistently supports a significant positive association between firm size and compliance levels across multiple standards, including IFRS 3 and IAS 36 (Glaum et al., 2013), IFRS 7 (Mnif & Znazen, 2020) and many more (Santos et al., 2014; Zaid, 2023). Accordingly, we expect a positive (+) association between *SIZE* and the compliance index.

Next, we control for audit firm size (*BIG4*), represented by a dummy variable equal to one when the firm is audited by a Big Four auditor (Deloitte, EY, KPMG, and PwC). Big Four firms provide superior IFRS expertise, are subject to higher regulatory scrutiny, and maintain strong reputational incentives, all of which contribute to stricter enforcement of disclosure requirements

(Lemos et al., 2023; Tsalavoutas, 2011). The presence of a Big Four auditor has been found to be a significant determinant of IFRS disclosure compliance for other accounting standards across several academic papers, both in a European setting (Amiraslani et al., 2013; Apostolos et al., 2015; Cascino & Gassen, 2015; Demir & Bahadir, 2014; Florio et al., 2018; Glaum et al., 2013; Lemos et al., 2023; Lopes, 2014; Tsalavoutas, 2011) and elsewhere (Bepari et al., 2014; Juhmani, 2017; Santos et al., 2014; Zureigat, 2015). We therefore expect a positive (+) association between *BIG4* and compliance index.

To capture key financial characteristics, we include leverage (*LEVERAGE*), the ratio of total liabilities to total assets at calendar year end as of 2024 following previous studies within mandatory IFRS disclosure compliance (Amiraslani et al., 2013; Lemos et al., 2023; Patten & Zelenka, 1997). Net income divided by previous year's equity (*ROE*) is also included as a proxy for profitability, consistent with most previous literature (Alrawahi & Sarea, 2016; Ballas et al., 2015; Lemos et al., 2023; Mnif & Znazen, 2020). Under Agency Theory, leverage is expected to increase disclosure, as highly indebted firms are closely monitored by creditors who demand transparency to mitigate risk (Alrawahi & Sarea, 2016; Mnif & Znazen, 2020; Santos et al., 2014). However, empirical results are mixed, with few studies reporting a significant positive effect (Mnif & Znazen, 2020), while others find no association (Ballas et al., 2015; Glaum et al., 2013; Juhmani, 2017; Tsalavoutas, 2011). A similar pattern can also be observed with regard to profitability. Signaling Theory suggests that profitable firms disclose more to signal strong performance (Lemos et al., 2023), yet empirical evidence remains inconclusive or insignificant (Glaum & Street, 2003; Juhmani, 2017; Mnif & Znazen, 2020; Tsalavoutas, 2011), with one study even reporting a negative association (Dawd, 2018). Given these conflicting findings, we do not predict a particular sign (+/–) regarding the association for both *LEVERAGE* and *ROE* with the compliance index.

Turning to corporate governance, foreign ownership (*FOREIGN_OWN*), measured as the proportion of votes held at calendar year end as of 2024 by foreign shareholders, is included due to the monitoring role foreign investors typically play. These investors face greater information barriers and therefore demand higher levels of transparency, pressuring firms toward greater compliance (Bova & Pereira, 2012; Zaid, 2023). This monitoring mechanism is also reflected in more specific settings, such as evidence showing that greater U.S. and U.K. institutional ownership is associated with higher IFRS 2 disclosure compliance levels in the French setting (Goh et al., 2016). We therefore expect *FOREIGN_OWN* to have a positive (+) association with the compliance index.

We also control for CEO ownership (*CEO_OWN*), measured as the natural logarithm plus one of the CEO's nominal value of shares held at calendar year end as of 2024. Higher managerial ownership implies greater control, which may lead to entrenchment and heightened proprietary cost concerns, reducing incentives to share information with external stakeholders (Pope & McLeay, 2011). This mechanism has been observed in IFRS 2- and other employee stock option compliance studies, where higher CEO ownership is associated with lower compliance (Goh et

al., 2016; Nelson et al., 2010). In addition, if looking at a wider perspective of insider ownership, overall managerial ownership has also been shown to be associated with lower voluntary compensation disclosure (Eng & Mak, 2003). Related to this, the proportion of a firm's equity owned by outsiders has also been shown to be associated with higher voluntary disclosures (Chau & Gray, 2002). Thus, we anticipate a negative (–) association between *CEO_OWN* and the compliance index.

Finally, we incorporate two internal governance mechanisms, board independence (*BOARD_IND*) and the presence of an audit committee (*AUD_COM*). Board independence is captured as the proportion of directors who are independent in relation to management. According to previous studies, a board's independence to management enhances monitoring, reduces information asymmetry, and has been shown to improve compliance with IFRS disclosure requirements (Cascino & Gassen, 2015; Juhmani, 2017; Mnif & Znazen, 2020; Tauringana & Chithambo, 2016). Similarly, the presence of an audit committee strengthens oversight of financial reporting. Prior studies document a positive association between audit committee existence and mandatory disclosure compliance (Al-Akra et al., 2010; Glaum et al., 2013). Thus, both *BOARD_IND* and *AUD_COM* are expected to display positive (+) associations with the compliance index.

4.2.2.4 Fixed Effects

To control for unobserved heterogeneity, the regression models include industry and stock exchange listing fixed effects. Fixed effects models account for group-specific, time-invariant characteristics that could otherwise bias the estimated relationships (Brüderl et al., 2014). Firms differ systematically across industries and market segments in ways that may affect both ownership structures and disclosure behavior, for example, regulatory environments, investor profiles, or established reporting practices. By allowing each industry and stock exchange listing to have its own intercept, these structural differences are absorbed by the model. This ensures that the relationships of interest are identified from variation within industries and markets, providing more reliable estimates of how institutional ownership relates to IFRS 2 disclosure compliance (Brüderl et al., 2014).

4.3 The Regression Models

To test the study's hypotheses, two multivariate OLS regression models are estimated. The first model examines the aggregate pressure-resistant institutional investors treated as a homogeneous ownership category, and their association with IFRS 2 disclosure compliance. The second model examines the disaggregate pressure-resistant institutional investors treated as three distinct categories of pressure-resistant institutional investors, and their association with IFRS 2 disclosure compliance. This allows the relative influence of each pressure-resistant institutional ownership category to be evaluated conditional on the presence of the other two components, thereby isolating heterogeneous monitoring effects within the pressure-resistant investor group.

Both models control for the same firm-specific financial and governance characteristics and include industry and stock exchange listing fixed effects. The two-model structure is dictated by the mechanical construction of the ownership variables. Since the aggregate pressure-resistant institutional ownership variable is defined as the sum of the three disaggregated ownership components, a joint estimation would be impossible due to perfect multicollinearity if we were to include the aggregate variable and its components within the same regression. The ownership structure is therefore examined using two separate model specifications, one using the aggregate ownership measure and one using its three underlying components. This approach allows a clear distinction between (i) the overall association between pressure-resistant institutional ownership and IFRS 2 disclosure compliance (H1), and (ii) the potentially heterogeneous associations across specific institutional investor categories (H2a–H2c). All models are estimated using heteroskedasticity-robust (HC1) standard errors, consistent with the diagnostics reported further below in Section 4.4.

4.3.1 Aggregate Pressure-Resistant Institutional Ownership Association with IFRS 2 Disclosure Compliance

$$DISC_92_i = \beta_0 + \beta_1 INST_OWN_TOTAL_PR_i + \beta_2 SIZE_i + \beta_3 LEVERAGE_i + \beta_4 ROE_i + \beta_5 FOREIGN_OWN_i$$

$$+ \beta_6 CEO_OWN_i + \beta_7 BOARD_IND_i + \beta_8 AUD_COM_i + \beta_9 BIG4_i + \gamma_{j(i)} Industry_j + \delta_{k(i)} Market_k + \varepsilon_i$$

Where β_0 denotes the Intercept; *DISC_92* denotes the IFRS 2 disclosure compliance index, measured on a 0 – 1 scale, for firm *i*; *INST_OWN_TOTAL_PR* denotes the fraction of votes held by pressure-resistant institutional investors at calendar year end as of 2024 measured for firm *i*; *SIZE* denotes the natural logarithm of total market cap at calendar year end as of 2024 measured for firm *i*; *LEVERAGE* denotes the total liabilities / total assets (fraction) measured for firm *i*; *ROE* denotes the net income / equity previous year (fraction) measured for firm *i*; *FOREIGN_OWN* denotes the fraction of votes held by foreign shareholders at calendar year end as of 2024 for firm *i*; *CEO_OWN* denotes the natural logarithm of the CEO's nominal value of shares held at calendar year end as of 2024 in firm *i*; *BOARD_IND* denotes the independent members of the board in relation to management (fraction) measured in firm *i*; *AUD_COM* denotes a dummy variable, where 1 = firm *i* has an audit committee; *BIG4* denotes a dummy variable, where 1 = firm *i* is audited by a Big Four audit firm; Industry fixed effects (γ_j) control for systematic differences across eleven industry groups; stock exchange listing fixed effects (δ_k) absorb variation across listing venues; and ε denotes the error term.

4.3.2 Disaggregate Pressure-Resistant Institutional Ownership Associations with IFRS 2 Disclosure Compliance

$$DISC_92_i = \beta_0 + \beta_1 INST_OWN_FOUNDATIONS_i + \beta_2 INST_OWN_GOVERNMENT_i + \beta_3 INST_OWN_INV_PE_i$$
$$+ \beta_4 SIZE_i + \beta_5 LEVERAGE_i + \beta_6 ROE_i + \beta_7 FOREIGN_OWN_i + \beta_8 CEO_OWN_i + \beta_9 BOARD_IND_i$$
$$+ \beta_{10} AUD_COM_i + \beta_{11} BIG4_i + \gamma_{j(i)} Industry_j + \delta_{k(i)} Market_k + \varepsilon_i$$

Where *INST_OWN_FOUNDATIONS* denotes the fraction of votes held by foundation investors at calendar year end as of 2024 measured for firm *i; INST_OWN_GOVERNMENT* denotes the fraction of votes held by government-based investors at calendar year end as of 2024 measured for firm *i; and INST_OWN_INV_PE* denotes the fraction of votes held by investment and private equity firm investors at calendar year end as of 2024 measured for firm *i*.

4.4 Data Preparation and Reliability

Prior to estimation, the dataset was systematically prepared to ensure that the regression results were not driven by extreme observations, irregular distributions, or violations of key OLS assumptions. All data preparation and diagnostic testing were conducted in R (RStudio). To begin with, initial descriptive statistics, which are presented in Section 5.1, were examined to assess central tendency, dispersion, skewness, and kurtosis for all variables. Several variables, particularly the *INST_OWN* measures and *ROE*, exhibited pronounced right-skewness, high kurtosis, and extreme values, confirming the presence of distributional irregularities and outliers that could disproportionately influence the estimation results if left untreated (Iacobucci et al., 2025). These diagnostics directly motivated the subsequent winsorisation and transformation procedures which were applied to the explanatory variables in Section 5.2.

Following established practice in the IFRS disclosure literature (Mnif & Znazen, 2020; Parker et al., 2017), continuous explanatory variables were winsorised at the 1st and 99th percentiles to mitigate the influence of extreme observations while preserving the overall shape of the data. *SIZE* and *CEO_OWN* were first winsorised and then log-transformed to address right-skewness and improve comparability across firms. Fraction-type explanatory variables, namely *LEVERAGE*, *FOREIGN_OWN*, *BOARD_IND*, and all *INST_OWN* variables, were retained in fractional form and winsorised at the same percentile thresholds. *ROE* was treated as a financial ratio rather than a bounded proportion and was therefore only winsorised to reduce the influence of extreme negative values. The dependent variable (*DISC_92*) was not winsorised. Dummy variables, including *BIG4* and *AUD_COM*, were coded as binary indicators. Industry and stock exchange listing fixed effects were constructed from S&P Capital IQ sector and listing venue classifications to account for systematic structural differences across reporting settings.

The next step involved assessing potential multicollinearity among the regressors. Pearson correlation matrices and Variance Inflation Factors (VIFs) were computed using the same model

specifications as for the regressions, ensuring that the diagnostics reflect the actual estimation environment. Correlation matrices, which are presented in Section 5.1, are constructed separately for the total pressure-resistant institutional ownership model and for the model including the three disaggregated ownership components. Across both specifications, pairwise correlations remain modest. VIF values range approximately between 1.03 and 1.22, which is far below commonly applied thresholds of 4 and 10 (O'Brien, 2007), indicating that explanatory variables can be estimated with acceptable precision and that multicollinearity does not pose a material concern.

Because the dataset is cross-sectional, autocorrelation is not a relevant issue. Heteroskedasticity, however, is commonly expected in firm-level data when observations differ substantially in size (Caudill et al., 1995). To evaluate this, Breusch–Pagan tests and standardised residuals were plotted against standardised fitted values for each regression model (see Appendix 5). The Breusch-Pagan test indicates no statistically significant heteroskedasticity and the resulting scatterplots display no meaningful curvature, clustering, or systematic structure. Residuals are randomly dispersed around zero with no visible funnel shape, suggesting that the assumptions of linearity and homoskedasticity are reasonably satisfied. Nevertheless, all reported regression results rely on heteroskedasticity-robust (HC1) standard errors to ensure conservative statistical inference.

Finally, missing data were handled through listwise deletion, resulting in a final estimation sample of 246 firms for both regression models. This approach avoids the additional assumptions required for imputation and is consistent with established practice in IFRS disclosure research (Glaum et al., 2013; Juhmani, 2017). Taken together, these data-preparation and diagnostic procedures ensure that the dataset satisfies the OLS assumption and reliability requirements for the regression analyses presented in Section 5.2.

5. Results and Analysis

In this section, we present the empirical results from the OLS regression models. We begin with an assessment of how the control variables behave across both model specifications, to contextualize the broader determinants of IFRS 2 disclosure compliance. We then examine the effects of the institutional ownership variables, which form the basis for testing the study's hypotheses. After summarising the outcomes of the hypothesis tests and discussing their implications, we conclude with an evaluation of model reliability, including additional robustness checks. Coefficients with p-values below 0.05 are treated as statistically significant, consistent with widely applied empirical standards (Frost, 2020, p. 25).

5.1 Descriptive Statistics

Table 5: *Descriptive Statistics for Variables Used in the OLS Regressions (excl. Fixed Effects)*

Variable	N	N_missing	Mean	Median	SD	Min	Max	Skewness	Kurtosis
DISC_92	254	0	0.58	0.60	0.24	0.00	1.00	-0.23	-0.83
INST_OWN_TOTAL_PR	254	0	0.09	0.02	0.14	0.00	0.88	2.40	7.49
INST_OWN_INV_PE	254	0	0.08	0.00	0.13	0.00	0.88	2.63	9.17
INST_OWN_FOUNDATIONS	254	0	0.01	0.00	0.04	0.00	0.55	9.81	112.33
INST_OWN_GOVERNMENT	254	0	0.00	0.00	0.01	0.00	0.07	3.39	12.92
SIZE	254	0	21.30	21.15	2.11	15.55	27.72	0.30	0.08
LEVERAGE	254	0	0.48	0.48	0.24	0.01	1.00	0.24	-0.44
ROE	246	8	-2.26	0.02	23.25	-295.43	1.67	-11.37	131.69
FOREIGN_OWN	254	0	0.29	0.21	0.25	0.00	1.00	1.05	0.21
CEO_OWN	254	0	14.20	15.21	5.32	0.00	23.32	-1.75	2.62
BOARD_IND	254	0	0.88	1.00	0.15	0.00	1.00	-1.67	4.95
AUD_COM	254	0	0.72	1.00	0.45	0.00	1.00	-0.99	-1.03
BIG4	254	0	0.82	1.00	0.38	0.00	1.00	-1.70	0.90

Table 5 presents summary statistics for the dependent variable, the independent variables and the control variables. The IFRS 2 disclosure index (*DISC_92*) has a mean of 0.58 and a median of 0.60 percent, indicating a moderate level of compliance across the sample. Values span the full 0–1 range, reflecting substantial variation in disclosure practices.

This compliance level is broadly in line with findings from prior IFRS 2 study ranges reported in developed markets. For example, French listed firms have shown mean IFRS 2 disclosure compliance levels of roughly 0.61 (Goh et al., 2016), whereas German firms have reported averages closer to 0.56 (Cascino & Gassen, 2015), with some less developed markets showing considerably lower levels (Dawd, 2018; Santos et al., 2014). This places the Swedish firms in the present sample within the mid-range of international evidence, with moderate compliance and a large variation across firms.

Institutional ownership patterns show that several owner types are concentrated among a small subset of firms. *INST_OWN_FOUNDATIONS*, for instance, has a mean close to zero and a maximum of 0.55, indicating that only a few firms have noticeable holdings. Similar right-skewed patterns appear for *INST_OWN_GOVERNMENT*, which also has a near-zero mean and a maximum of 0.07, and for *INST_OWN_INV_PE*, which has a mean of 0.08 and a maximum of 0.88. *INST_OWN_TOTAL_PR* is more broadly distributed than the individual categories, but still concentrated, with a mean of 0.09 and a maximum of 0.88.

The control variables indicate heterogeneity in firm characteristics. *SIZE* varies substantially, with log-market-capitalisation values ranging from 15.55 to 27.72. *LEVERAGE* averages 0.48, while *ROE* exhibits large dispersion due to several firms reporting substantially negative earnings. *FOREIGN_OWN* has a mean of 0.29, *BOARD_IND* is generally high with a mean of 0.88, and 0.82 of firms engage a *BIG4* auditor.

Table 6: *Pearson Correlation Matrix and Variance Inflation Factors (VIFs) for Variables in Model 1 (excl. Fixed Effects)*

Variables		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	VIF
DISC_92	(1)	1.000										
INST_OWN_TOTAL_PR	(2)	**0.176**	1.000									1.14
SIZE	(3)	0.043	**0.281**	1.000								1.73
LEVERAGE	(4)	-0.098	-0.037	-0.112	1.000							1.06
ROE	(5)	-0.025	0.089	**0.290**	**-0.144**	1.000						1.16
FOREIGN_OWN	(6)	**0.134**	0.078	**0.197**	-0.012	0.072	1.000					1.08
CEO_OWN	(7)	-0.101	0.056	**0.415**	0.023	**0.176**	0.069	1.000				1.27
BOARD_IND	(8)	-0.069	**0.153**	0.020	**0.162**	**0.134**	0.052	0.062	1.000			1.10
AUD_COM	(9)	0.033	**0.216**	**0.399**	-0.034	0.070	0.121	**0.166**	**0.124**	1.000		1.27
BIG4	(10)	-0.015	0.043	**0.291**	0.010	**0.154**	-0.009	-0.014	0.102	**0.262**	1.000	1.20

Note: Lower-triangular entries report Pearson correlations.
Bold numbers denote significance level $p < 0.05$.

Table 6 reports the Pearson correlation matrix for Model 1. Correlations between *DISC_92* and the explanatory variables are modest, with *INST_OWN_TOTAL_PR* and *FOREIGN_OWN* showing a positive and statistically significant association with disclosure (0.176 and 0.134, respectively). *INST_OWN_TOTAL_PR* is also positively correlated with *SIZE* (0.281). *BOARD_IND* (0.153), and *AUD_COM* (0.216). Importantly, all VIF values remain low (maximum 1.73), indicating that multicollinearity is not a concern for this model.

Table 7*: Pearson Correlation Matrix and Variance Inflation Factors (VIFs) for Variables in Model 2 (excl. Fixed Effects)*

Variables		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	VIF
DISC_92	(1)	1.000												
INST_OWN_INV_PE	(2)	**0.151**	1.000											1.11
INST_OWN_FOUNDATIONS	(3)	0.066	-0.074	1.000										1.05
INST_OWN_GOVERNMENT	(4)	0.082	0.062	0.065	1.000									1.38
SIZE	(5)	0.043	**0.202**	0.069	**0.512**	1.000								2.05
LEVERAGE	(6)	-0.098	-0.004	-0.076	-0.060	-0.112	1.000							1.08
ROE	(7)	-0.025	0.075	0.031	0.115	**0.290**	**-0.144**	1.000						1.16
FOREIGN_OWN	(8)	**0.134**	0.080	-0.004	**0.197**	**0.197**	-0.012	0.072	1.000					1.09
CEO_OWN	(9)	-0.101	0.027	0.030	**0.202**	**0.415**	0.023	**0.176**	0.069	1.000				1.27
BOARD_IND	(10)	-0.069	**0.163**	0.006	-0.001	0.020	**0.162**	**0.134**	0.052	0.062	1.000			1.10
AUD_COM	(11)	0.033	**0.195**	0.044	**0.181**	**0.399**	-0.034	0.070	0.121	**0.166**	**0.124**	1.000		1.28
BIG4	(12)	-0.015	0.014	0.059	**0.152**	**0.291**	0.010	**0.154**	-0.009	-0.014	0.102	**0.262**	1.000	1.20

Note: Lower-triangular entries report Pearson correlations.
Bold numbers denote significance level $p < 0.05$.

Table 7 presents the correlation matrix for the model where pressure-resistant institutional ownership is disaggregated into its three components. Each ownership category exhibits relatively weak correlations with *DISC_92* when compared to other observed correlation in the matrix, ranging from 0.066 (*INST_OWN_FOUNDATIONS*) to 0.151 (*INST_OWN_INV_PE*), with the the correlation for *INST_OWN_INV_PE* being the only statistically significant one. *INST_OWN_INV_PE* shows a similar correlation pattern to the same control variables as for the aggregate measure in the previous table. In contrast, *INST_OWN_GOVERNMENT* shows no statistically significant correlation with *BOARD_IND*, but do instead also correlate with *FOREIGN_OWN* (0.197), *CEO_OWN* (0.202), and *BIG4* (0.152). Notably, *INST_OWN_FOUNDATIONS* shows no statistically significant correlation with any of the

included variables. Similar to Table 6, all VIF values remain low (maximum 2.05), confirming that the variables can be jointly estimated with acceptable precision.

***Table 8**: Distribution of Sample Firms Across Industries and Stock Exchange Listing*

Industry \ Stock Market	*Large Cap*	*Mid Cap*	*Small Cap*	*First North Prem*	*First North*	Sum
Communication Services	3	0	4	5	4	*16*
Consumer Discretionary	5	7	4	6	2	*24*
Consumer Staples	1	1	1	2	0	*5*
Energy	0	1	1	0	2	*4*
Financials	5	4	4	1	6	*20*
Health Care	7	9	17	7	9	*49*
Industrials	13	17	13	6	7	*56*
Information Technology	6	5	9	8	9	*37*
Materials	3	2	0	2	7	*14*
Real Estate	4	10	1	2	2	*19*
Utilities	0	2	0	0	0	*2*
Sum	*47*	*58*	*54*	*39*	*48*	*246*

Table 8 shows the industry and stock exchange listing distribution of the sample. Industrials, Health Care and Information Technology comprise the largest groups, reflecting the industrial preferences for adopting equity-based compensation in the Swedish equity markets. The five listing segments, Large Cap, Mid Cap, Small Cap, First North Premier and First North, are also well represented, enabling meaningful variation across size and industry-wide reporting practice.

Combined, the descriptive patterns show substantial variation in disclosure practices, ownership structures, and firm characteristics. This heterogeneity provides the empirical foundation for the regression analysis that follows.

5.2 Hypothesis Testing

Table 9 reports the regression results for the two main model specifications using *DISC_92* as the dependent variable. The first model examines total pressure-resistant institutional ownership, while the second model includes the three disaggregated ownership components. The results are discussed below in relation to the study's hypotheses, beginning with the contextual variables that provide additional insights into IFRS 2 disclosure compliance.

***Table 9**: OLS Regression Results for DISC_92 Across All Institutional Ownership Models*

	DISC_92			
	TOTAL_PR		***DISAGGREGATED_PR***	
Variables	Coef.	p-value /t.stat	Coef.	p-value /t.stat
INTERCEPT	-0.105	0.793 (-0.262)	-0.103	0.798 (-0.257)
INST_OWN_TOTAL_PR	**0.341****	**0.004** **(2.897)**		
INST_OWN_INV_PE			**0.331****	**0.007** **(2.699)**
INST_OWN_FOUNDATIONS			0.605	0.410 (0.826)
INST_OWN_GOVERNMENT			1.927	0.253 (1.147)
SIZE	**0.040****	**0.014** **(2.467)**	**0.040****	**0.015** **(2.441)**
LEVERAGE	-0.032	0.642 (-0.465)	-0.034	0.634 (-0.476)
ROE	-0.005	0.556 (-0.590)	-0.005	0.548 (-0.601)
FOREIGN_OWN	0.089	0.219 (1.233)	0.080	0.268 (1.111)
CEO_OWN	-0.005	0.152 (-1.438)	-0.005	0.134 (-1.504)
BOARD_IND	-0.212*	0.086 (-1.725)	-0.212*	0.088 (-1.716)
AUD_COM	-0.022	0.609 (-0.512)	-0.020	0.643 (-0.464)
BIG4	-0.010	0.788 (-0.270)	-0.013	0.739 (-0.334)
Adj. R^2	0.094		0.087	
F-statistic	2.110**		1.932**	
N	246		246	
Industry fixed effects	Yes		Yes	
Market fixed effects	Yes		Yes	
Robust HC1 standard errors	Yes		Yes	

Note: Significance at * p < 0.10, ** p < 0.05, and *** p < 0.001.
Bold numbers denote significance level p < 0.05.

5.2.1 Control Variables

For both models, the behaviour of the control variables is generally consistent with prior disclosure research, although not all coefficients reach statistical significance. *SIZE* is the only variable that displays a consistently significant association with IFRS 2 disclosure compliance across both models. The positive coefficients ($\beta = 0.040$ in both models; $p = 0.014$ and 0.015, respectively) align with expectations that larger firms face stronger monitoring pressures and

possess greater reporting capacity, which typically translates into higher disclosure levels (Glaum et al., 2013; Mnif & Znazen, 2020; Santos et al., 2014; Zaid, 2023).

The financial characteristics, namely *LEVERAGE* and *ROE*, show negative but statistically insignificant coefficients in both models (*LEVERAGE*: β = –0.032 and –0.034; p = 0.642 and 0.634, respectively; *ROE*: β = –0.005 in both models, and p = 0.556 and 0.548, respectively). These null findings are consistent with the mixed evidence in the literature, where studies have alternately identified positive, negative, or non‑significant effects of leverage and profitability on compliance (Ballas et al., 2015; Glaum et al., 2013; Juhmani, 2017; Mnif & Znazen, 2020; Tsalavoutas, 2011). Given the theoretical ambiguity surrounding both variables, their statistical insignificance is not unexpected.

FOREIGN_OWN exhibits small positive coefficients across both specifications (β = 0.089 and 0.080; p = 0.219 and 0.268, respectively), which is consistent with the expected direction but does not reach significance. Although prior research suggests that foreign investors press for greater transparency (Bova & Pereira, 2012; Goh et al., 2016; Zaid, 2023), the present results do not provide evidence of such an effect in this setting.

CEO_OWN reflects the anticipated negative direction in both regressions (β = –0.005 in both models; p = 0.152 and 0.134, respectively). Neither specification reaches conventional significance levels, suggesting that while managerial ownership may weaken disclosure incentives (Eng & Mak, 2003; Goh et al., 2016; Nelson et al., 2010), the effect is economically small in this sample. *AUD_COM* is also consistently negative and insignificant across both models (β = –0.022 and –0.020; p = 0.609 and 0.643, respectively). This contrasts with prior findings that audit committees support higher disclosure quality (Al-Akra et al., 2010; Glaum et al., 2013), but the absence of significance implies that audit committees may not materially influence IFRS 2 reporting within Swedish firms.

Similarly, *BOARD_IND* also shows negative coefficients in both models, but with marginal significance at the 10 percent level (β = –0.212; p = 0.086 and 0.088, respectively). This pattern contrasts with expectations of an independent board improving monitoring and increasing compliance (Mnif & Znazen, 2020; Tauringana & Chithambo, 2016). The negative sign may indicate that, in this context, independent boards do not prioritise or may not specialise in technical financial reporting oversight. However, given the weak significance, this pattern should be interpreted cautiously.

Finally, *BIG4* is negative and statistically insignificant in both regressions (β = –0.010 and –0.013; p = 0.788 and 0.739, respectively). This result runs counter to the expectation that Big Four auditors should strengthen compliance (Cascino & Gassen, 2015; Lemos et al., 2023; Tsalavoutas, 2011). The lack of significance suggests that Swedish Big Four auditors may not enforce IFRS 2 disclosures more stringently than non–Big Four auditors, or that variation in compliance stems from other firm‑specific characteristics rather than auditor choice.

5.2.2 Aggregate Pressure-Resistant Institutional Ownership Association with IFRS 2 Disclosure Compliance

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H1: Pressure-resistant institutional ownership (investment and private equity firms, foundations, and government investors) is positively associated with IFRS 2 disclosure compliance.

The aggregated measure of pressure-resistant institutional ownership (*INST_OWN_TOTAL_PR*) is positively and significantly associated with IFRS 2 disclosure compliance ($\beta = 0.341$, $p = 0.004$), supporting H1. This indicates that firms with higher ownership by investors who are structurally independent of management disclose a greater share of the required IFRS 2 information. The result is consistent with agency-theoretic predictions that independent and economically motivated owners reduce information asymmetry and constrain managerial discretion (Jensen & Meckling, 1976; Shleifer & Vishny, 1997), as well as with Brickley et al.'s (1988) argument that pressure-resistant institutions face fewer conflicts of interest and therefore possess stronger monitoring incentives.

In the context of Sweden's ambiguous post-2019 IFRS 2 enforcement environment, the finding suggests that pressure-resistant institutional investors can partly substitute for external oversight by promoting fuller compliance with a technically demanding and disclosure-intensive standard. The effect remains after controlling for firm size, financial characteristics, ownership structure, internal governance mechanisms, and industry and market fixed effects, reinforcing that the association is not driven by general firm attributes. Instead, pressure-resistant institutional ownership appears to function as an internal governance mechanism that enhances disclosure quality, consistent with prior evidence on institutional monitoring in IFRS settings (Glaum et al., 2013; Goh et al., 2016; Zaid, 2023).

5.2.3 Disaggregate Pressure-Resistant Institutional Ownership Association with IFRS 2 Disclosure Compliance

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H2a: Ownership by investment and private equity firms is positively associated with IFRS 2 disclosure compliance.

H2b: Ownership by foundations is positively associated with IFRS 2 disclosure compliance.

H2c: Ownership by government-linked investors is positively associated with IFRS 2 disclosure compliance.

The disaggregated model shows that *INST_OWN_INV_PE* is positively and significantly associated with IFRS 2 disclosure compliance ($\beta = 0.331$, $p = 0.007$), providing support for H2a. This confirms the theoretical expectation that these investors constitute pressure-resistant owners under Brickley et al.'s (1988) framework. Prior studies emphasise their concentrated ownership positions, strong engagement in governance, and active involvement in managerial oversight and compensation design (Brav et al., 2008; Kaplan & Strömberg, 2009). The significant association observed here indicates that this governance intensity also translates into firms' financial reporting behaviour. Rather than merely reflecting a preference for transparency, the result suggests that investment and private equity owners are able to exert effective pressure that materially improves compliance with technically demanding disclosure standards like IFRS 2.

In contrast, *INST_OWN_FOUNDATIONS* and *INST_OWN_GOVERNMENT* yield positive but statistically insignificant coefficients (*FOUNDATIONS*: $\beta = 0.605$, $p = 0.410$; *GOVERNMENT*: $\beta = 1.927$, $p = 0.253$). Accordingly, H2b and H2c are not supported. While foundations share the theoretical attributes of structural independence and long-term horizons that motivate their classification as pressure resistant (Brickley et al., 1988; Buchanan & Kaya, 2024; Sherman et al., 1998), their mission-oriented objectives may dilute incentives to monitor highly technical disclosure requirements such as IFRS 2, but the insignificant result may also reflect limited ownership stakes, portfolio diversification, or insufficient firm-level engagement. Similarly, although modern sovereign wealth funds are typically professionally managed, politically insulated, and long-horizon investors (Chhaochharia & Laeven, 2009; Megginson & Fotak, 2015; Sojli & Tham, 2010), very large and globally diversified portfolios constrain the depth of firm-level monitoring (Megginson & Fotak, 2015; Nilsen et al., 2019).

Overall, the results indicate that the positive association identified for total pressure-resistant institutional ownership is driven primarily by investment and private equity investors, while foundations and government entities do not exert a statistically detectable influence on IFRS 2 disclosure compliance. This pattern reinforces the central theoretical argument of the thesis: institutional investors cannot be treated as a homogeneous group, as differences in monitoring capacity, objectives, and resource allocation meaningfully shape their influence on firms' adherence to complex disclosure requirements.

5.2.4 Summary of Hypothesis Testing

***Table 10**: Overview of Hypotheses and Corresponding Empirical Support*

Hypotheses	Findings
H1: Pressure-resistant institutional ownership (investment and private equity firms, foundations, and government-linked investors) is positively associated with IFRS 2 disclosure compliance.	Supported
H2a: Ownership by investment and private equity firms is positively associated with IFRS 2 disclosure compliance.	Supported
H2b: Ownership by foundations is positively associated with IFRS 2 disclosure compliance.	Not supported
H2c: Ownership by government-linked investors is positively associated with IFRS 2 disclosure compliance.	Not supported

Table 10 summarizes the findings from the hypothesis testing, rejecting the null hypothesis for H1 and H2a, while failing to reject the null hypothesis for H2b and H2c, respectively.

5.3 Model Reliability

A first indication of model reliability comes from the explanatory power of the two main regression specifications. For the primary compliance measure (*DISC_92*), the adjusted R^2 amounts to 0.094 for the aggregate pressure-resistant institutional ownership model and 0.087 for the disaggregated ownership model (see Table 9). While modest, these levels are consistent with prior IFRS compliance research using single-standard, cross-sectional designs, where explained variance commonly falls between 5 and 25 percent (Abdullah et al., 2015; Demir & Bahadir, 2014; Hartwig, 2015; Patton & Zelenka, 1997). Higher values are typically observed only in studies covering broader disclosure standards or multi-country settings (Cascino & Gassen, 2015; Elkelish, 2017; Santos et al., 2014). Against this backdrop, the adjusted R^2 levels observed in the IFRS 2 models are consistent with expectations for a single-standard compliance index estimated in a Swedish cross-sectional setting.

In addition to the main compliance measure (*DISC_92*), three alternative indices are employed as robustness checks to evaluate whether the results hold under different operationalisations of disclosure compliance. A partial-compliance (PC) index (*DISC_PC*) is calculated following previous studies (Abdullah et al., 2015; Appiah et al., 2016; Glaum et al., 2013; Tsalavoutas, 2011). Compliance ratios are first computed separately for each of IFRS 2's three disclosure categories and then averaged:

$$PC = \frac{1}{3}\left(\frac{F_1}{A_1} + \frac{F_2}{A_2} + \frac{F_3}{A_3}\right)$$

The PC index is seldom used in isolation (Appiah et al., 2016; Glaum et al., 2013) but is commonly reported alongside Cooke-style indices to check the consistency of results (Abdullah et al., 2015; Amiraslani et al., 2013; Baboukardos & Rimmel, 2014; Santos et al., 2014; Tsalavoutas & Dionysiou, 2014; Tsalavoutas, 2011). However, because disclosure indices are bounded between 0 and 1, it is argued that untransformed scores can violate linear-regression assumptions by allowing predicted values outside the feasible range (Abdullah et al., 2015; Cooke, 1998; Tsalavoutas, 2011). To address this issue, we also apply a logit transformation to the dependent variables (Cooke, 1998):

$$LOGIT = log\left(\frac{Compliance}{1 - Compliance}\right)$$

This transformation is applied both to the Cooke index (*DISC_98_LOGIT*) and the PC index (*DISC_PC_LOGIT*) based on previous studies (Abdullah et al., 2015; Al-Shammari et al., 2008;

Tsalavoutas, 2011). A known limitation is that firms scoring exactly 0 or 1 cannot be transformed because the logit function is undefined at the boundaries (Cooke, 1998).

The untransformed Cooke index (*DISC_92*) remains the primary dependent variable, while the PC index and both logit-transformed variants serve as supplementary robustness checks. Using multiple measurement approaches helps assess whether the empirical results are sensitive to index construction or scaling choices, consistent with recommendations in prior IFRS compliance research (Abdullah et al., 2015; Al-Shammari et al., 2008; Inchausti, 1997; Makhija & Patton, 2004; Mnif & Znazen, 2020; Tsalavoutas, 2011). Across all alternative specifications, the overall pattern of institutional-ownership results remains consistent with the *DISC_92* regressions. *INST_OWN_TOTAL_PR* continues to show a positive and statistically significant association with disclosure for all dependent variables. *INST_OWN_INV_PE* also remains positive and significant across every robustness model, including both logit-based measures. *INST_OWN_FOUNDATIONS* and *INST_OWN_GOVERNMENT* remain statistically insignificant throughout, regardless of index construction.

The behaviour of the control variables is likewise stable. *SIZE* continues to be positively associated with disclosure and remains statistically significant in the *DISC_PC* regression, is marginally significant at the 10 percent level in the *DISC_98_LOGIT* model, and becomes statistically insignificant only in the *DISC_PC_LOGIT* specifications. *FOREIGN_OWN* becomes statistically significant only under the PC-based models (*DISC_PC* and *DISC_PC_LOGIT*), where it is positively associated with disclosure, while *LEVERAGE*, *ROE*, *AUD_COM*, and *BIG4* remain consistently insignificant. *BOARD_IND* maintains a negative sign across all models and is statistically significant in both PC-based regressions, mirroring its behaviour in the main *DISC_92* results.

Taken together, these robustness tests show that the main findings are not dependent on the choice of compliance measure or scaling transformation. Whether disclosure is measured using a Cooke-style index, a partial-compliance index, or a logit-transformed variant, the central relationships, particularly the positive effects of total pressure-resistant institutional ownership and investment/private-equity ownership, remain intact. Full regression results for the robustness-test models are provided in Appendix 6.

6. Discussion

The empirical results provide mixed but important evidence on the relationship between institutional ownership and IFRS 2 disclosure compliance. At the aggregate level, pressure-resistant institutional ownership is significantly positively associated with IFRS 2 disclosure compliance, which initially supports the idea that ownership structures characterised by independence and monitoring capacity are relevant for disclosure outcomes. However, when the aggregate ownership measure is disaggregated into its individual components, the initial

interpretation becomes less convincing. This is because only ownership from investment and private equity firms display a significantly positive association with IFRS 2 disclosure compliance. In contrast, ownership by foundations and government-linked investors show no significant relationship with compliance. This indicates that the positive aggregate result is largely driven by investment and private equity firms rather than by pressure-resistant institutional owners as a homogeneous group. While unfortunate, it underscores the importance of questioning aggregate measures in corporate governance literature, as these can be misleading when individual owner characteristics are omitted, a concern previously raised in this thesis.

6.1 The Supported Results for Investment and Private Equity firms

The positive association between ownership by investment and private equity firms and IFRS 2 disclosure compliance is consistent with both theoretical expectations and prior literature. These investors typically possess substantial in-house financial and accounting expertise, strong incentives to monitor management closely, and a demonstrated willingness to intervene directly in governance and reporting processes. This aligns well with agency theory in regard to the monitoring role described by Jensen (1993) and Shleifer and Vishny (1997), where large and sophisticated owners possess greater resources and expertise compared to other investors. Prior research also shows that private equity owners tend to improve financial reporting and disclosure quality when preparing firms for listing, as documented by Beuselinck et al. (2008). This suggests that a culture of enhanced reporting discipline is often established during the pre-listing phase and may persist even after the firm becomes publicly traded, provided that private equity firms retain ownership stakes in the company.

This view is further reinforced by the documented complexity of IFRS 2. The valuation of equity-based incentive programs requires sophisticated modelling, involving volatility estimates, option-pricing techniques, and detailed contractual assessments. This complexity combined with preparer inexperience has previously been suggested as explanatory factors for non-compliance with IFRS 2 (Bechmann & Hjortshøj, 2009; Merz, 2020). In addition, IFRS Foundation (2019) has explicitly noted that smaller firms often rely on external valuation specialists due to insufficient in-house expertise. In contrast, investment and private equity firms typically employ specialized financial professionals with strong technical competence in valuation and financial reporting. It is therefore not unexpected that firms with such owners demonstrate higher IFRS 2 disclosure compliance, as both the capability and the incentive to ensure accurate disclosures are present.

6.2 The Unsupported Results and Potential Contributing Factors

The larger difficulty lies with the rejected hypotheses. Several factors may help explain why the expected positive relationships are not observed for foundations and government-linked investors. While the final sample does not include firms listed on the Nordic Growth Market and Spotlight Stock Market, this represents a relatively small number of additional companies,

making it unlikely that their inclusion would materially alter the statistical conclusions. Thus, sample size limitations are unlikely to be the primary driver of the null results.

A different contributing factor could be the extended classification from the original framework. In the original framework, Brickley et al. (1988) did not explicitly include government-linked investors. The classification was extended based on a review of attributes of traditional pressure-resistant institutions, namely foundations, in addition to following guidance from past research that had made similar extensions to government-linked investors (Sojli & Tham, 2010). The absence of a significant relationship in the direction expected by the hypothesis could be due to an incorrectly extended classification. However, if these institutional investors were pressure-sensitive, this would likely have been reflected in a statistically significant relationship with the opposite sign. Instead, the results suggest that government-linked investors may be better characterised as pressure-indeterminate, where monitoring exists but is limited in intensity.

This interpretation is plausible in the Swedish context, when considering the influence from sovereign wealth funds like GPFG. While some studies emphasize that these government-linked investors often maintain sizable and concentrated holdings, large sovereign wealth funds may mark a notable exception to this. The ability to perform firm-specific monitoring, particularly in technically complex areas such as IFRS 2 disclosure compliance, may be constrained for firms with too many portfolio companies under their influence. Compared to investment and private equity firms which concentrate their ownership to a larger degree, sovereign wealth funds like GPFG become less likely to exert detailed influence over share based payment disclosures.

A more fundamental concern arises from the lack of significant association for foundations. Foundations are central to the original pressure-resistant classification and are widely portrayed as independent, long-term oriented owners with strong monitoring capacity. The absence of a statistical relationship with IFRS 2 disclosure compliance therefore raises questions about whether pressure-resistance alone is sufficient to influence technically detailed accounting disclosures. Even where monitoring is strong, it does not necessarily suggest that these efforts will be directed toward improving compliance with accounting standards. For IFRS 2, detailed disclosure may be more important for private equity firms, where equity-based incentives directly affect portfolio companies' valuation and exit pricing, than for foundations which prioritize long-term objectives less centered around realizing short-term valuation gains through more transparent disclosures.

However, in the case that the null results are not attributable to the applicability of the framework itself, the contributing factor could instead lie with the study setting itself. The Swedish setting could for instance have governance attributes that meaningfully distinguish it from that of other settings where the framework has previously been applied. One such attribute could potentially be that of sphere-ownership, and sphere-controlled firms. While this has not explicitly been tested for in this thesis, Atlas Copco, Epiroc and Investor, which operate under the Wallenberg-sphere, were among the few firms that had full IFRS 2 disclosure compliance.

However, since foundations was the largest owner type among these firms when combined, it leaves the door open for other unaddressed setting attributes that could be more influential.

7. Conclusion

7.1 Contribution and Implications

This thesis' main theoretical contribution is the demonstrated importance of not treating institutional investors as a homogeneous determinant in IFRS compliance research. This contribution extends the existing literature, which has primarily examined institutional ownership in aggregate (Glaum et al., 2013; Goh et al., 2016; Zaid, 2023) by showing that investment and private equity firms, in particular, warrant more attention in the corporate governance field. While the thesis attempted to disaggregate the institutional investor group using the framework of Brickley et al. (1988), the results indicate that only one of the three pressure-resistant categories exhibits a consistent and statistically significant association with IFRS 2 disclosure compliance. This suggests that differences in monitoring effectiveness within the broader group of pressure-resistant investors are substantial and that future research may benefit from applying alternative taxonomies going forward.

Importantly, this contribution is closely linked to the Swedish enforcement context following the 2019 regulatory shift, where public enforcement activity related to IFRS 2 observedly decreased. The results indicate that, under such conditions of regulatory ambiguity, investment and private equity ownership can act as a partial internal governance substitute for external enforcement by promoting higher disclosure compliance. At the same time, the absence of significant effects for foundation and government ownership underscores that not all structurally independent investors possess the monitoring capacity required to exert such a substitutive role.

With regard to practical implications, auditors may use these results to better assess client-level reporting risks. If certain corporate governance characteristics reliably improve compliance, ownership structure may serve as an informative risk indicator when evaluating the likelihood of disclosure omissions under complex standards such as IFRS 2. The absence of a significant Big Four effect in the regressions further suggests that auditor engagement alone is not a guarantee of higher compliance in this context, reinforcing the need for targeted audit procedures.

The same implication is also relevant for Swedish enforcement authorities. In a setting where regulatory monitoring resources could be constrained, the results suggest that ownership structure, particularly the absence of investment and private equity owners, can be used as an additional screening mechanism when prioritising firms for disciplinary review. While this has only been tested in a Swedish setting, the implications highlight how corporate governance characteristics may assist enforcement authorities with documented resource constraints.

Lastly, for retail investors who rely on institutional ownership as a general signal of financial reporting quality, the findings indicate that such a signal should not be interpreted uniformly. The results show that meaningful differences in IFRS compliance exist across institutional investor types. Although this evidence is specific to IFRS 2, the presence of investment and private equity ownership appears to be a more informative signal of disclosure quality than institutional ownership in general.

7.2 Limitations

This thesis is subject to several limitations relevant for interpreting the empirical findings. First, the analysis is restricted to firms' most recent annual reports, excluding other public disclosures such as compensation reports and AGM minutes, even though such sources may contain complementary information on equity-based incentive programs. In some cases, firms referred to this material rather than reporting the information directly in the annual report. Although including this material could provide a more complete view of disclosure practices, they were ultimately excluded because IFRS 2 requires it to be disclosed in the annual report. Therefore, a low compliance score reflects deficiencies in annual report disclosure specifically, and does not necessarily imply that the information is unavailable through other outlets.

The second limitation concerns the types of incentive programs which have been examined and subject to analysis. Previous examples of IFRS 2 disclosure compliance studies have explicitly focused on the category of disclosure requirements related to valuation model inputs, since these requirements are more difficult to comply with (Bechmann & Hjortshøj, 2009; Merz, 2020). While this thesis agrees with this type of reasoning, we deemed it important to cover the whole standard. Therefore, this thesis has instead decided to focus exclusively on option-, synthetic option-, and warrant programs, as these are the arrangements most directly addressed by all of IFRS 2's disclosure requirements. Other types of equity-based compensation, like performance- and saving-shares, are not obliged to report with all of the conditional requirements of IFRS 2 (see Appendix 2). This suggests that including firms with equity-based incentives that have it comparatively easier to fulfill disclosure requirements would not make the resulting compliance levels comparable across firms with different types of equity-based incentive. Nonetheless, since the thesis does not cover other types of equity-based incentive programs, the results may only be applicable to the above mentioned incentives.

The third limitation concerns the adopted research approach, namely the use of a self-constructed compliance index. Although this approach is consistent with established IFRS compliance research and accompanied by steps to enhance reliability and transparency in the selected approach, it inherently involves subjective judgments in the interpretation and coding of disclosure requirement compliance. As a result, a degree of researcher discretion in data collection and analysis cannot be fully eliminated and constitutes an additional limitation.

7.3 Suggestions for future research

As previously discussed in the introduction, concerns have been raised regarding the complexity and interpretative ambiguity of IFRS 2. While this thesis has focused on governance-related determinants of disclosure outcomes, the analysis of the disclosure index reveals that certain IFRS 2 disclosure items are systematically omitted by an overwhelming share of firms. Disclosure items 2.9 and 2.11, which relate to assumptions about early exercise behaviour and other valuation-relevant features of option pricing models (see Appendix 2), display mean compliance levels of approximately 5 percent. This suggests that these omissions are more likely to be structural than firm-specific. Future research should investigate the underlying reasons for these systematic omissions, including whether they stem from limitations in preparer expertise, lack of clear guidance, reliance on external valuation specialists, or perceived immateriality.

Importantly, this study has deliberately refrained from drawing any conclusions on the strength of the Swedish enforcement system, instead characterizing it as ambiguous following the enforcement shift in 2019. A natural extension for future research would be to examine whether Swedish firms' IFRS compliance changed significantly around this transition through an event study based on compliance data collected both before and after the shift. Since disciplinary reviews have been observed to continue for other IFRS standards, it would be of interest to investigate whether standards that may have fallen outside the authorities' post transition focus, such as IFRS 2, exhibit different compliance patterns. This would provide more clarity on the ambiguity that has defined the contextual topic in this thesis.

Lastly, while this thesis has attempted to use the Brickley et al. (1988) framework to disaggregate institutional investors and explain differences in disclosure behavior among different investors, incongruent findings point toward the importance of developing a holistic taxonomy that can be used in future compliance research. One proposal could be to develop a taxonomy that better captures variation in investor engagement and governance capacity.

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9. Appendix

Appendix 1. IFRS 2 Disclosure Requirements, Paragraphs 44-52

44. **An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.**

45. To give effect to the principle in paragraph 44, the entity shall disclose at least the following:

(a) A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44.

(b) The number and weighted average exercise prices of share options or each of the following groups of options:

(i) Outstanding at the beginning of the period;
(ii) Granted during the period;
(iii) Forfeited during the period;
(iv) Exercised during the period;
(v) Expired during the period;
(vi) Outstanding at the end of the period; and
(vii) Exercisable at the end of the period

(c) For share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period.

(d) For share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life. If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

46. An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.

47. If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, to give effect to the principle in paragraph 46, the entity shall disclose at least the following:

(a) For share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:

(i) The option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;
(ii) How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and
(iii) Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as market condition.

(b) For other equity instruments granted during the period (i.e. other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:

(i) If fair value was not measured on the basis of an observable market price, how it was determined;
(ii) Whether and how expected dividends were incorporated into the measurement of fair value, and;
(iii) Whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.

(c) For share-based payment arrangements that were modified during the period:

(i) An explanation of those modifications;
(ii) The incremental fair value granted (as a result of those modifications); and
(iii) Information on how the incremental fair value granted was measured, consistently with the requirements set out in (a) and (b) above, where applicable

48. If the entity has measured directly the fair value of goods or services received during the period, the entity shall disclose how that fair value was determined, e.g. whether fair value was measured at a market price for those goods or services.

49. If the entity has rebutted the presumption in paragraph 13, it shall disclose that fact, and give an explanation of why the presumption was rebutted.

50. An entity shall disclose information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.

51. To give effect to the principle in paragraph 50, the entity shall disclose at least the following:

(a) The total expense recognized for the period arising from share-based payment transactions in which the goods or services received did not quality for recognition as assets and hence were recognized immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions;

(b) For liabilities arising from share-based payment transactions:

(i) The total carrying amount at the end of the period; and
(ii) The total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).

52. If the information required to be disclosed by this Standard does not satisfy the principles in paragraphs 44, 46, and 50, the entity shall disclose such additional information as is necessary to satisfy them.

Appendix 2. IFRS 2 Disclosure Requirement List

Disclosure item	Description of disclosure requirement	Disclosure condition
Category 1	*General terms and conditions*	*IFRS 2 paragraphs 44-45*
1.1	Vesting requirements	Mandatory
1.2	Maximum term of options granted	Mandatory
1.3	Method of settlement	Mandatory
1.4	Number and weighted average exercise price of options outstanding at period start	Mandatory
1.5	Number and weighted average exercise price of options granted during the period	If new options have been granted (N/A) if not applicable
1.6	Number and weighted average exercise price of options forfeited during the period	If options have been forfeited (N/A) if not applicable
1.7	Number and weighted average exercise price of options exercised during the period	If options have been exercised (N/A) if not applicable
1.8	Number and weighted average exercise price of options expired during the period	If options have become expired (N/A) if not applicable
1.9	Number and weighted average exercise price of options outstanding at period end	Mandatory
1.10	Number and weighted average exercise price of options exercisable at period end	If options have become exercisable (N/A) if not applicable
1.11a	Weighted average share price at date of exercise, or	If options have been exercised (N/A) if not applicable
1.11b	Weighted average share price during the period (if options were exercised on regular basis)	If options have been exercised (N/A) if not applicable
1.12a	Range of exercise prices and weighted average contractual life for outstanding options, or	If options are outstanding at CB (N/A) if not applicable
1.12b	Divide outstanding options into ranges if the range of exercise prices is wide	If options are outstanding at CB (N/A) if not applicable
Category 2	*Valuation model and inputs*	*IFRS 2 paragraphs 46-49*
2.1	Weighted average fair value at measurement date for options granted during the period	If new options have been granted (N/A) if not applicable
2.2	Option pricing model used	If new options have been granted (N/A) if not applicable
2.3	Weighted average share price	If new options have been granted (N/A) if not applicable
2.4	Exercise/subscription price	If new options have been granted (N/A) if not applicable
2.5	Expected volatility	If new options have been granted (N/A) if not applicable
2.6	Option life	If new options have been granted (N/A) if not applicable
2.7	Expected dividend [yield or amount)	If new options have been granted (N/A) if not applicable
2.8	Risk-free interest rate	If new options have been granted (N/A) if not applicable
2.9	Method and assumptions made to incorporate effects of expected early exercise	If new options have been granted (N/A) if not applicable
2.10	How expected volatility was determined	If new options have been granted (N/A) if not applicable
2.11	Whether and how other features of the option grant were incorporated in measurement of its fair value	If new options have been granted (N/A) if not applicable
2.12	Explanation of modifications made	If equity plan has been modified (N/A) if not applicable
2.13	The incremental fair value granted	If equity plan has been modified (N/A) if not applicable
2.14	How incremental fair value granted was measured	If equity plan has been modified (N/A) if not applicable
Category 3	*Effects on the income statement and balance sheet*	*IFRS 2 paragraphs 50-51*
3.1	Total expense arising from share-based payment transactions (incl. portion settled in equity) during the period	Mandatory
3.2	Total carrying amount of cash-settled liabilities at period end	If the equity plan is cash-settled (N/A) if not applicable
3.3	Total intrinsic value of counterparty's right to compensation which has vested by period end	If the equity plan is cash-settled (N/A) if not applicable

Appendix 3. Descriptive Overview of the Sampled Firms

The Sampled Firms					
4C Strategies	BioInvent	EQL Pharma	Intellego Technologies	NP3 Fastigheter	Sprint Bioscience
AAC Clyde Space	Biovica	EQT	Investor	Nyfosa	Stendörren Fastigheter
AAK	Björn Borg	Evolution	Invisio	OEM International	Stenhus Fastigheter i Norden
ABB	Bokusgruppen	Ework	Inwido	Ogunsen	Stockwik Förvaltning
AcadeMedia	Bonesupport	Fasadgruppen	iZafe	Oncopeptides	Storskogen
Acarix	BrightBid	Fastator	Kambi	Oneflow	Storytel
Acast	BTS	Fenix Outdoor	Karnell	Orexo	Surgical Science
ACTIC	Bufab	Ferronordic	Lagercrantz	OrganoClick	Svedbergs
Acuvi	Byggmax	First Nordic Metals	Latour	Orrön Energy	Swedish Logistic Property
AddLife	ByggPartner	Flerie	Lea Bank	OssDsign	Swedish Orphan Biovitrum
Addnode	C-RAD	Flexion Mobile	Leading Edge Materials	Ovzon	SynAct Pharma
Addtech	Camurus	FluoGuide	Lindab	Paradox Interactive	Systemair
Africa Energy	Cantargia	Formpipe Software	Logistea	PION	Teqnion
Alcadon	Catella	Fortinova Fastigheter	Lucara Diamond	Polygiene	Terranet
Alimak	Catena Media	Fractal Gaming	LumenRadio	Prevas	Tessin Nordic
Alligator Bioscience	Cell Impact	Freja eID	Lundin Gold	Profoto	Thule
Alligo	Checkin.com	Garo	Lundin Mining	Q-Linea	Thunderful
ALM Equity	Cheffelo	Genova Property	MAG Interactive	QleanAir	Titania
Alpcot	Cibus Nordic Real Estate	Gentoo Media	Magnasense	Qliro	Tobii
AlzeCure Pharma	Cinis Fertilizer	GiG Software	Maha Energy	Raketech	Transtema
Ambea	Cint	GomSpace	MedCap	Ratos	Troax
Anoto	Climeon	Gränges	Medivir	Resurs	Truecaller
AQ	CoinShares	GRANGEX	Mendus	Revolutionrace	Västra Hamnen Corporate Finance
Arion Bank	Combinedx	Greater Than	Mentice	RugVista	Vertiseit
Arise	Concejo	Green Landscaping	Meren Energy	Sagax	Verve
Arlandastad	CTEK	Hacksaw	Midsona	SaltX Technology	Vestum
Atlas Copco	Devyser Diagnostics	HAKI Safety	MilDef	SaveLend	Vicore Pharma
Attendo	DistIT	Haypp	Mips	Saxlund	Vimian
Avanza Bank	District Metals	Hemnet	Nanoform Finland	SBB Norden	Viscaria
B3 Consulting	Doxa	Hexatronic	NCAB	Sdiptech	Vitec Software
Balco	Dustin	Hilbert	Neobo Fastigheter	Seafire	Vitrolife
Beijer Ref	Eastnine	Humble	Net Insight	Sedana Medical	Viva Wine
Bergman & Beving	Egetis Therapeutics	I.A.R. Systems	Netel	Sensys Gatso	Vivesto
Besqab	Elon	Iconovo	Nexam Chemical	Senzime	VO2 Cap
Betsson	Eltel	Image Systems	Nitro Games	ShaMaran Petroleum	Volati
Better Collective	Embellence	Immunovia	Nolato	Sileon	Wall to Wall
BHG	Emilshus	Infant Bacterial Therapeutics	Nordic LEVEL	Sinch	Wallenstam
BICO	Engcon	Infrea	Nordic Paper	Sivers Semiconductors	Webrock Ventures
Binero	Eniro	Inission	Nordnet	Sleep Cycle	Xspray Pharma
BioArctic	Enzymatica	Instalco	Nosa Plugs	Solid Försäkring	XVIVO Perfusion
BioGaia	Epiroc	Integrum	Note	SolTech Energy Sweden	Zinzino

Appendix 4. Definitions of Institutional Investor Variables According to Holdings

Foundations: A non-profit charitable entity that typically supports philanthropic, educational, or charitable missions. Foundations may be independent, family-backed, or corporate-sponsored, and often manage assets with a long-term perspective to generate income, which is distributed through grants to individuals or other charities in accordance with the foundation's charitable purpose.

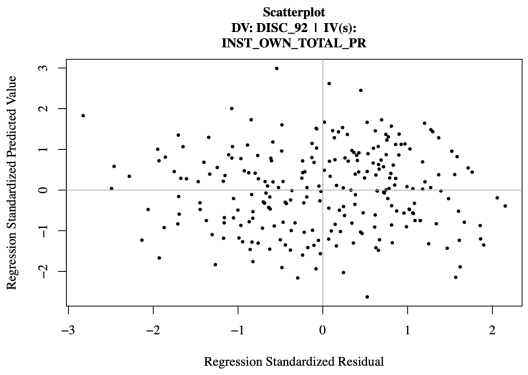
Governments: Public-sector entities that primarily include sovereign wealth funds, as well as government agencies, and other state-backed investment entities. These entities manage and allocate public funds and state-owned assets.

Investment and private equity: Entities that are involved in various aspects of investments, including firms that actively manage investments, often in a

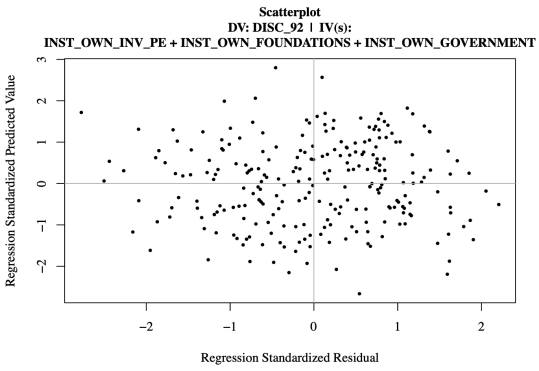
concentrated niche or strategic manner. These firms typically invest in public or private companies, sometimes acquiring large stakes with the goal of influencing management and driving significant operational or strategic change. They may focus on activist investing, long-term value creation, or niche industries.

Appendix 5. Residual Diagnostics and Breusch-Pagan Tests

(i):



(ii):



(iii):

Dependent Variable	Model	BP Statistic	df	p-value	Conclusion
DISC_92	Model 1 (*TOTAL_PR*)	23.904	23	0.410	No heteroskedasticity
DISC_92	Model 2 (*DISAGGREGATED_PR*)	24.200	25	0.510	No heteroskedasticity

Note: The null hypothesis of homoskedasticity cannot be rejected when p > 0.05.

Appendix 6. OLS Results for Robustness Tests Using Alternative IFRS 2 Disclosure Compliance Measures

(i):

	DISC_PC			
	TOTAL_PR		*DISAGGREGATED_PR*	
Variables	Coef.	p-value /t.stat	Coef.	p-value /t.stat
INTERCEPT	-0.022	0.961	-0.068	0.880
		(-0.049)		(-0.151)
INST_OWN_TOTAL_PR	**0.325****	**0.008**		
		(2.662)		
INST_OWN_INV_PE			**0.333****	**0.011**
				(2.566)
INST_OWN_FOUNDATIONS			-0.150	0.841
				(-0.201)
INST_OWN_GOVERNMENT			0.872	0.678
				(0.416)
SIZE	**0.036****	**0.046**	**0.038****	**0.038**
		(2.003)		**(2.089)**
LEVERAGE	-0.085	0.290	-0.099	0.233
		(-1.060)		(-1.196)
ROE	-0.013	0.218	-0.014	0.199
		(-1.236)		(-1.288)
FOREIGN_OWN	**0.244*****	**0.001**	**0.234****	**0.002**
		(3.358)		**(3.207)**
CEO_OWN	-0.002	0.609	-0.002	0.617
		(-0.512)		(-0.501)
BOARD_IND	**-0.359****	**0.008**	**-0.362****	**0.008**
		(-2.656)		**(-2.692)**
AUD_COM	0.013	0.789	0.012	0.820
		(0.267)		(0.228)
BIG4	-0.014	0.758	-0.015	0.752
		(-0.309)		(-0.316)
Adj. R^2	0.161		0.154	
F-statistic	3.049***		2.787***	
N	246		246	
Industry fixed effects	Yes		Yes	
Market fixed effects	Yes		Yes	
Robust HC1 standard errors	Yes		Yes	

Note: Significance at * p < 0.10, ** p < 0.05, and *** p < 0.001.
Bold numbers denote significance level p < 0.05.

DISC_98_LOGIT

	TOTAL_PR		***DISAGGREGATED_PR***	
Variables	Coef.	p-value /t.stat	Coef.	p-value /t.stat
INTERCEPT	-2.527	0.159 (-1.414)	-2.633	0.146 (-1.459)
INST_OWN_TOTAL_PR	**1.647****	**0.006** **(2.758)**		
INST_OWN_INV_PE			**1.560****	**0.012** **(2.531)**
INST_OWN_FOUNDATIONS			3.042	0.408 (0.829)
INST_OWN_GOVERNMENT			8.977	0.239 (1.181)
SIZE	0.141*	0.060 (1.890)	0.143*	0.058 (1.909)
LEVERAGE	-0.218	0.499 (-0.678)	-0.217	0.503 (-0.670)
ROE	-0.013	0.712 (-0.369)	-0.014	0.700 (-0.385)
FOREIGN_OWN	0.230	0.540 (0.614)	0.192	0.605 (0.518)
CEO_OWN	-0.011	0.525 (-0.636)	-0.012	0.460 (-0.740)
BOARD_IND	-0.814	0.162 (-1.405)	-0.797	0.172 (-1.370)
AUD_COM	0.071	0.734 (0.340)	0.083	0.696 (0.392)
BIG4	0.023	0.889 (0.139)	0.006	0.970 (0.038)
Adj. R^2	0.069		0.059	
F-statistic	1.757**		1.586**	
N	234		234	
Industry fixed effects	Yes		Yes	
Market fixed effects	Yes		Yes	
Robust HC1 standard errors	Yes		Yes	

Note: Significance at * p < 0.10, ** p < 0.05, and *** p < 0.001.
Bold numbers denote significance level p < 0.05.

(ii):

DISC_PC_LOGIT

	TOTAL_PR		***DISAGGREGATED_PR***	
Variables	Coef.	p-value /t.stat	Coef.	p-value /t.stat
INTERCEPT	-2.188	0.315 (-1.006)	-2.505	0.262 (-1.125)
INST_OWN_TOTAL_PR	**1.755**	**0.008**** **(2.699)**		
INST_OWN_INV_PE			**1.830****	**0.009** **(2.653)**
INST_OWN_FOUNDATIONS			-1.424	0.706 (-0.378)
INST_OWN_GOVERNMENT			4.705	0.643 (0.465)
SIZE	0.120	0.192 (1.310)	0.136	0.149 (1.447)
LEVERAGE	-0.490	0.234 (-1.192)	-0.577	0.167 (-1.388)
ROE	-0.053	0.288 (-1.066)	-0.058	0.256 (-1.140)
FOREIGN_OWN	**1.004****	**0.016** **(2.436)**	**0.950****	**0.021** **(2.318)**
CEO_OWN	0.003	0.894 (0.134)	0.003	0.891 (0.137)
BOARD_IND	**-1.548****	**0.027** **(-2.222)**	**-1.568****	**0.025** **(-2.264)**
AUD_COM	0.250	0.349 (0.939)	0.237	0.381 (0.878)
BIG4	0.041	0.860 (0.177)	0.041	0.860 (0.176)
Adj. R^2	0.145		0.138	
F-statistic	2.713***		2.497***	
N	234		234	
Industry fixed effects	Yes		Yes	
Market fixed effects	Yes		Yes	
Robust HC1 standard errors	Yes		Yes	

Note: Significance at * p < 0.10, ** p < 0.05, and *** p < 0.001.
Bold numbers denote significance level p < 0.05.

(iii):

Appendix 7. Disclosure related to use of Generative AI-tools

Two AI tools were used during the development of this thesis, ChatGPT and NotebookLM. These tools supported different stages of the work, primarily by improving efficiency in coding, organisation, and early-phase idea development. During the initial stage of the thesis process, we used ChatGPT to help explore and refine potential research niches. We began with a broad interest in financial reporting and governance but were unsure of the specific angle to pursue. By iteratively discussing possible directions, ChatGPT helped us navigate related subtopics until we identified the research focus applied in the thesis.

Throughout the empirical analysis, ChatGPT was mainly used for generating R code based on the statistical models and specifications we provided. This accelerated the technical workflow and allowed us to concentrate on the interpretation and organisation of results. All code output was carefully checked for accuracy by comparing it to external sources, such as online statistical forums, comparable empirical studies, and replicating selected models in IBM SPSS Statistics. Additional methodological feedback was obtained through discussions with our supervisor.

ChatGPT was also used occasionally to help us identify sections in the text that could benefit from clearer structure, more precise wording, or stronger academic cohesion. These explicit recommendations were used to revise and refine our own writing.

In comparison, NotebookLM was used as a literature-navigation tool. Key research articles were uploaded to the platform, allowing it to function as a searchable library that made it easier to locate specific findings, definitions or theoretical arguments across sources. This was particularly helpful for managing a wide and fragmented body of literature, as the tool made it easier to detect connections, contrasts, and recurring patterns without manually revisiting each article.

Insights gained from using AI tools include how they can streamline time-consuming tasks, especially coding as we have limited experience with it. This allowed us to devote more attention to conceptual reasoning, interpretation, and theoretical integration. At the same time, the need to verify AI-generated outputs highlighted the importance of treating these tools as complements rather than substitutes for domain knowledge.